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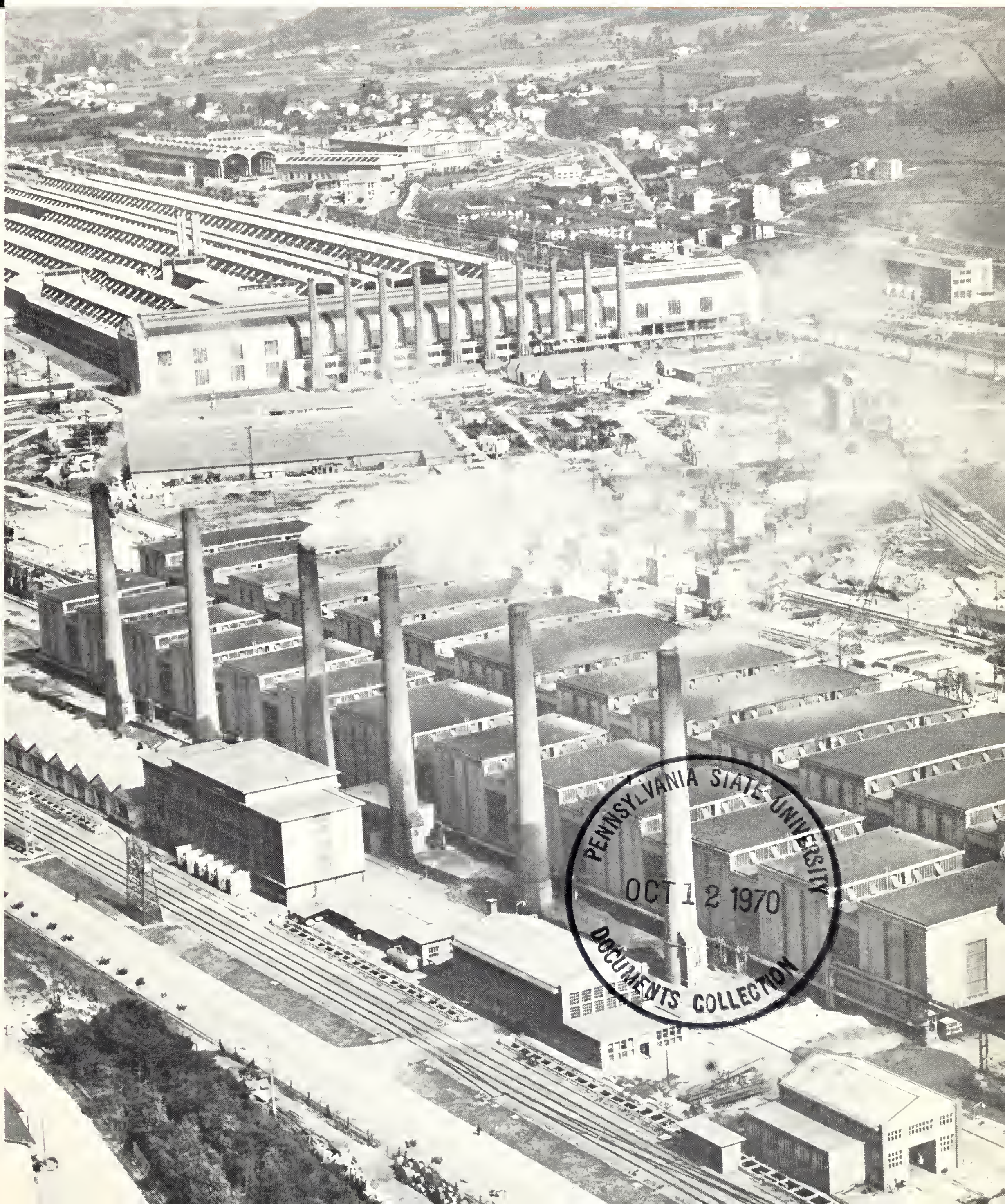
COUNTRY MARKET SURVEY

SPAIN



U.S. DEPARTMENT OF COMMERCE
Bureau of International Commerce

BUREAU OF INTERNATIONAL COMMERCE

COUNTRY MARKET SURVEY

Spain

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U.S. DEPARTMENT OF COMMERCE
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Harold B. Scott, Director

August 1970

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By

Richard Humbert

Bureau of International Commerce
U.S. Department of Commerce

This report was prepared by Richard Humbert of the Bureau of International Commerce, under the direction of Frederick Strauss, European Division Director. It is based partly on interviews and factory visits conducted during a 3-week trip to four major Spanish cities accompanied by Spanish and foreign businessmen, bankers, and appropriate Spanish Government officials. Mr. Humbert also has drawn on dispatches and reports prepared by the American Embassy in Madrid and on official and unofficial Spanish publications.

Photographs appearing in this study are by courtesy of the sources listed below:
Spanish Information Service. Ministry of Tourism and Information.
National Institute of Industry.
Spain—U.S. Chamber of Commerce. New York City.
International Bank for Reconstruction and Development.

Foreword

This U.S. Department of Commerce study provides U.S. businessmen with detailed information on sales possibilities in Spain, one of the fastest rising markets for U.S. exports in recent years. In 1969 Spain purchased more than $700 million of goods from the United States.

Prospects for the continuation of a high level of U.S. exports to Spain are excellent, although the competition is stiffening and the market is changing. The country is experiencing a rapid rate of growth, not without the usual problems, but its broadening industrial base will require substantial imports of capital goods and technology, areas in which U.S. business can—and should—effectively compete.

Harold B. Scott

Director
Bureau of International Commerce

August 1970

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Picture on the front cover is an aerial view of the Ensidesa steel plant at Aviles.

An inviting beach at Majorca is shown on page iv. Pictured are some of the 21,000,000 tourists who visited Spain in 1969, providing gross earnings of $1.3 billion.

Spain's output of electric power is scheduled to increase 14.5% under the current Development Plan. A new dam (shown on page xii) helps meet the new requirements.

Market Profile–SPAIN

Foreign Trade

Imports—Total, $4,233 million in 1969, $3,503 million in 1968. Principal products: machinery and electrical equipment, feed grains, minerals, chemicals, metal manufactures. U.S. supplied 17.2% of total; other suppliers: Germany, France, and U.K. Imports from U.S. $728 million in 1969, $590 million in 1968. Principal products: feedgrains, machinery, transport and electrical equipment, metals, chemicals, coal, tobacco.

Exports—Total $1,900 million in 1969, $1,589 million in 1968. U.S. first customer, bought 15.0% of total; other principal markets: Germany, U.K. and France. Exports to U.S., $279 million in 1968, $202 million in 1967. Principal products: footwear, textiles and clothing, non-electric machinery, chemicals, furniture.

Trade Policy—Increasingly liberal in recent years; major share of imports do not require license. Exports subject to license control.

Trade Prospects—U.S. share may fall in 1970. Prospects appear best for machinery, transport equipment, feed grains, chemicals, agricultural, equipment.

Foreign Investment

Total about $1.7 billion (estimate) of which about $700 million from U.S. Principal areas: petroleum, manufacturing, chemicals, and foodstuffs. Liberal attitude toward foreign investment under Development Plan (1968-71). No tax agreement.

Finance

Currency—Peseta (70 pesetas = $1.00); money supply, (Jan. 70) 10.0 billion.

National Budget—1968–69, 237.8 billion pesetas ($3.4 billion); expenditures: personnel, 42%; investments, 19%; investment subsidies, 12.3%; current subsidies, 16.8%; interest, 2.3%, other, 7.6%.

Balance of Payments—$262 million deficit (reserve losses) in 1969. $60 million surplus in 1968. Gold and foreign exchange (Feb. 1970), $915 million.

Economy

Industry developing rapidly but agriculture still important. Gross national product (GNP) (current prices), $28.0 billion in 1969, $25.1 billion in 1968. Real GNP averaged 7.5% increase between 1959–1966. Structure of GNP, 1967: agriculture, 16.4%; mining, manufacturing, construction, energy, 34.7%; other, 48.9%; per capita income, 1969, $830.

Agriculture—Employs 25% of working population and furnishes 40% of exports. Great need for modern equipment and methods. Principal crops: cereals, fruits, vegetables, olive oil.

Industry—Rapid development since 1959, with help of foreign capital. Principal industries: iron and steel, machinery, automobiles, textiles, chemicals, shipbuilding, food processing, leather, furniture. Production index, (Oct. 1969), 229 (1962 = 100).

Commerce—Inflation of major concern in recent years. Government plans to restructure inefficient distribution system. Department stores and supermarkets increasing in urban centers.

Tourism—21.7 million visitors in 1969, 12% increase over 1968, with receipts about $1.3 billion.

Development Plan—1968–71, will strive for 5.5% real annual increase in GNP. Emphasis on agriculture, transportation, education.

Basic Economic Facilities

Transportation—Railroad network being modernized; present highway system inadequate, also being modernized; 1.9 million vehicles registered. Foreign and domestic air service excellent.

Communications—Government owned telephone system; 3.7 million phones. 181 radio stations, and 8 million sets with estimated audience of 17 million; 14 TV stations, 3 million sets and audience of 4.5–15 million.

Power—Installed capacity, over 11.8 billion MWE; consumption in 1968, 45.5 billion kwh. Nuclear power produced in one station.

Natural Resources

Land—196,607 square miles, largely mountainous.

Climate—Extremely variable. Damp and cool in north, hot and dry in south.

Minerals—Of decreasing importance; higher grade deposits have been exhausted. Coal, iron, mercury, pyrites, and potash produced. Significant imports: coal, petroleum.

Forestry—Limited resources. World's second producer of cork. Extensive reforestation plans.

Fisheries—1968 catch, 762,000 metric tons.

Population

Size—33.1 million (Dec. 1969); annual growth, about 1.3%. Madrid, capital, 3.0 million; Barcelona, 1.7 million; Valencia, 614,000; Sevilla, 610,000; Zaragoza, 405,000.

Language—Spanish; English and French also used in business.

Education—91% literate; compulsory school to age 11.

Labor—Over 12.5 million workers; skilled labor increasingly available; unemployment, about 1.5% (Feb. 69); wages rising rapidly in response to inflation; average industrial wage index, 192 in Dec. 1968 (1963 = 100).

Introduction

The United States and Spain have a long history of diplomatic and trade association. The 1902 Treaty of Friendship and General Relations insures equality of treatment for U.S. businessmen in Spain. Trade between both countries has been growing steadily, to the point where today the United States is both Spain's principal foreign supplier (17.2% of total imports in 1969) and, since 1966, her best customer (15.0% of exports in 1969).

Following a period of moderate economic growth accompanied by inflation and falling reserves, the Spanish Government enacted a Stabilization Plan in 1959 designed to check inflation, restore confidence in the economy, and attract foreign investment. At this time, Spain also joined the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD), and embarked on a program to liberalize its foreign trade and attract foreign capital. Credits and aid were granted by the IBRD and the U.S. Government. Since that date, the United States has made available to Spain outright grants of close to $500 million, loans of another $100 million, and an additional $475 million under Public Law 480. Under the Joint U.S.-Spanish Defense Agreement of 1953, which was recently renewed through September 1970, the United States operates jointly with the Spanish Armed Forces four bases in Spain.

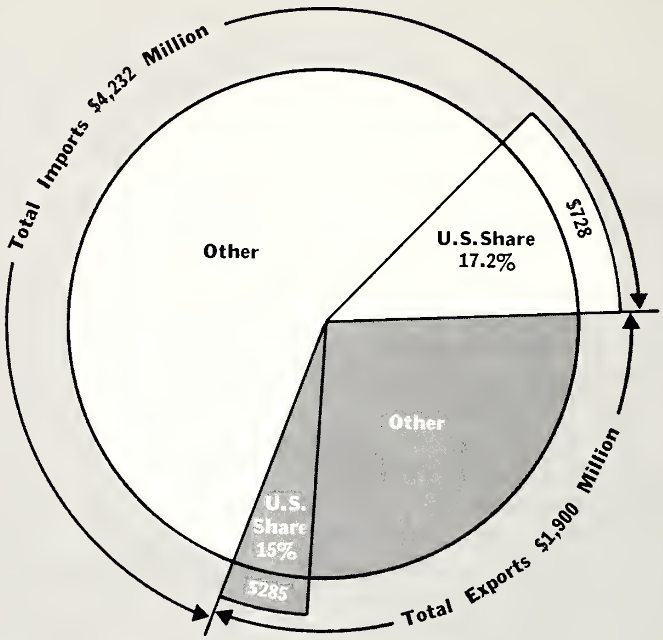
By 1963, stablization of the economy was well under way, and the following year, the First Economic and Social Development Plan was inaugurated. Its objectives to encourage reorganization of the economy, raise productivity, and redistribute national income were largely met (see chapter I on the Plan). During the period 1961–66, Spain's GNP rose at an average annual rate (in real terms) of over 6%, the second highest rate after Japan among the OECD's 21 members. National income rose from about $350 per capita in 1961 to $830 in 1969.

A major objective of the Development Plan was to foster the tourist industry. In 1969, over 17 million tourists visited Spain, providing gross earnings of about $1.2 billion. The rapid rate of growth of Spain's economy has necessitated important purchases from abroad, not only to modernize and develop all sectors, but also to complement domestic food production. Inflows of capital from tourism, together with inflows from foreign investment and remittances from abroad, have largely covered the deficits in trade, thus enabling Spain to continue importing at high levels. Spain also was able to build up important foreign reserves, reaching $1.5 billion in late 1964. Despite balance of payments deficits of up to $200 million in 1965–67, reserves early in 1969 stood at over $1.0 billion, but had fallen to $915 million in February 1970.

In the period 1960–69, Spain's aggregate imports rose from $722 million to $4,233 million, nearly a six-fold increase. During that period, the U.S. share of the market oscillated from a 25% high in 1961—an unusual year because of the economic aid granted—to a low of 16% in 1963. Nevertheless, sales of U.S. products to Spain registered the highest rate of growth of any country in Western Europe during the period 1960–69, averaging about 12% annually, and reaching $728 million cost, insurance, and freight (c.i.f.) in 1969.

SPAIN'S FOREIGN TRADE, 1969

(In Millions of U. S. Dollars)



Source: Spanish Ministry of Commerce, February 1970

Coupled with the growth in shipments, there has been a change in the composition of U.S. exports to Spain. In 1961, manufactured goods—chemicals, manufactured goods by chief material, machinery and transport equipment, and miscellaneous manufactures accounted for only 30% of the total U.S. exports to Spain, but these made up 57% of U.S. shipments to Spain in 1968. The largest group of U.S. exports to Spain in 1968, and since 1962, has been machinery and transport equipment, representing nearly 39% of total U.S. shipments to that country in 1968, or $226 million. (Included are expensive items such as aircraft, power, and generating equipment.) In 1961, food and live animals made up the leading category of U.S. exports to Spain, representing one-third of the total. Shipments of these items have been declining steadily since 1966, due to the much improved harvests in Spain and the consequent decreased demand for cereals and other foodstuffs. In 1968, these shipments represented only 7% of the total. U.S. exports of crude materials to Spain rose to over $156 million in 1968, accounting for 25% of the total, but were only $7 million 1961. Similar startling changes have occurred in the other commodity groups and are discussed in subsequent chapters of this publication. Spain's import demand is evolving and more changes can be expected in coming years.

Trade Policy

The principal obstacles to imports are moderately high tariffs, border (import compensation) taxes, and quantitative restrictions applied through a system of global, bilateral, or state trading quotas. When Spain joined the OECD, the Government

pledged to increase the global quotas by 20% each year, but this policy has not been fully adhered to. All goods not liberalized require an import license and are usually subject to one of the quotas. As of 1969, about 90% of all items in the Spanish Tariff were liberalized.

The Spanish Government seeks to pursue its "open door" policy of promoting closer economic ties with other nations and international groups. However, the country is still plagued with many small and inefficient industries which require, or will insist upon, protective measures antagonistic to low tariffs and liberalized trade. Outside of exceptional and temporary tariff reductions granted for imports of capital equipment not produced in Spain, or to control prices of cereals and foodstuffs, it is unlikely that the Government will significantly reduce tariffs and border taxes in the next 2 to 3 years.

Nevertheless, Spain can be expected to offer lucrative sales for U.S. exporters over the long-term, despite stiffening competition from Spain's other leading trading partners in Western Europe, including U.S. subsidiaries in those countries. The Government is committed to fostering economic development which will enable Spain and its people eventually to attain a standard of living commensurate with the more industrialized nations of Western Europe. The key to this goal is the Second Economic and Social Development Plan (1968–71), which is discussed in the following chapter.

CHAPTER I

Blueprint for Development: Economic Targets

THE FIRST ECONOMIC PLAN

Spain's first comprehensive attempt to direct and redirect the economy was embodied in the First Economic and Social Development Plan covering the period 1964–67. Although the economy's performance exceeded target goals of 6% during the first 3 years of the Plan, lack of coordination between the Government's fiscal, monetary, and commercial policy and the Plan's objectives resulted in serious economic problems. Aggregate prices rose 34.5% from 1964 to 1967; the cost-of-living index rose by 36.7%; and wages increased by 71.7%. Imports rose above exports, tourism revenues, emigrant remittances, and foreign capital flows, resulting in payments deficits in 1966, 1967, and 1969. The Government's various attempts to curb inflation by limiting bank and construction activity were unsuccessful. While the Government was limiting private bank credit to industry, it simultaneously increased its own expenditures at a very rapid rate. Thus, the severe credit squeeze was not only ineffective but was responsible for the 1967–68 recession and the 14.3% devaluation of the peseta in November 1967.

The first Plan failed to accomplish some of its announced major goals such as rationalization of Spanish industry into larger, more efficient and competitive units and an increase in agricultural output. However, the 1964–67 period showed significant social and industrial gains. The output of many basic industries such as steel, electrical power, cement, chemicals, and shipbuilding more than doubled. Roads, communications, education, and housing also improved considerably during this period.

Many of the shortcomings of the First Plan are attributable to the Government, which was unwilling or unable to control the economy within the Plan's guidelines. Whether or not the Government will follow through more effectively during the Second Plan (1968–71), remains to be seen, but planning appears to be a continuing feature of Spain's economic growth.

THE SECOND ECONOMIC PLAN

The Second Plan was not inaugurated until March 1969, more than a year late, due to the necessity to revise targets following the November 1967 peseta devaluation and attendant austerity program. To facilitate the monitoring of the economy's performance under this Plan, certain potential pressure points will be watched to determine if the economy is proceeding along its projected path. These "alert signals" include the cost-of-living index, wage increases, the wholesale price index, export-import balance, foreign exchange reserves, the money supply, industrial output, and unemployment.

Growth Targets

The most significant revision made in the Plan was the reduction in the GNP growth target to a more modest 5.5%. Table 1 gives the planned and actual growth rates of the First Plan and the targets of the Second Plan.

Table 1.—Spain: Average Annual Rates of Growth Under First and Second Development Plans

(In percentages)

	First Plan, 1964–67 Planned	Actual	Second Plan, 1968–71 Planned (Real terms)	(Monetary terms)	1968–1967 Growth (Real terms)	(Monetary terms)
	(Real terms)					
Per Capita GNP.	6.0	6.5	5.5	8.3	4.5 3.3	8.5 7.3
Imports	9.0	12.0	6.8	21.3	....	0.9
Consumption:						
Public	5.0	5.3	3.4	9.1	....	8.4
Private	5.5	6.1	4.5	7.5	....	8.7
Gross asset formation.	9.0	8.1	6.9	9.0	....	3.4
Investment	10.0	9.4	9.4	6.9	....	....
Exports	10.0	12.6	11.6	12.6	....	14.8

Source: Development Planning Commission, and National Accounts Data.

The principal economic objective of the Second Plan is to bring about an increase in the share of available resources devoted to gross asset formation at the expense of consumption expenditures. Sharply increased public sector investment will account for all of the increase. Consumption should decline from 81% of resources in 1967 to 79% in 1971, with the private-sector expected to absorb a disproportionate share of this reduction. In any case, the total of investment and consumption will exceed total resources in 1971, although by lesser percentages than in 1967, and Spain's foreign indebtedness will probably continue to increase.

The Government's efforts to maintain internal price stability is the basis for the objective of increasing investment relative to consumption. If wages and prices rise at a rate approaching those recorded for the 1964–67 period, consumption will claim a rising share of GNP. Thus, a continuation of wage and price controls will probably be necessary throughout the Plan's period.

Assuming that the Second Plan growth targets are met, the Spanish economy will take on a markedly changed appearance by the end of 1971. With a GNP of $31.7 billion, per capita income will be well over $900 per year. In comparison, per capita income in 1968 in Italy and Portugal was $1,400 and $475 respectively. There also will be a further shift in the Spanish population and labor force, since the Plan projects the creation of one million new jobs in the industrial and services sectors. These jobs will be filled by new entrants to the labor market, including 400,000 farm workers expected to migrate from rural areas. The agricultural sector will claim only 24% of the labor force (vs. 40% in 1960), and worker productivity is scheduled to increase 5.9% annually.

REGIONAL DEVELOPMENT

There are wide differences of prosperity between main urban areas and the rest of Spain. For this reason, the Industrial Development Centers (*Polos de Desarollo*) established when the First Plan was inaugurated, will continue to receive special facilities to encourage the establishment of new industries. These facilities include tax concessions or exemptions, free land, availability of credit, and a subsidy of up to 20% of the actual investment. The centers are presently located in Burgos, Huelva, La Coruna, Sevilla, Valladolid, and Vigo. Although results have varied in each of the cities, investments in the Industrial Development Centers totaled $1.6 billion in the period 1964–67.

The Spanish Government has announced plans to phase out these centers over the next several years, and to create four new ones in Granada (1970), Cordoba and Oviedo (1971), and Logrono (1972).

SECTOR GOALS

The industrial sector will continue to grow in relative importance, with an expected average annual increase in output of 6.7% in real terms, compared to the 9% annual growth rate under the First Plan. Industrial sector productivity is expected to grow by an average of 3.9% per year. The Plan stresses the need to modernize Spanish industry in preparation for the formal affiliation with the European Economic Community (EEC), now being negotiated.

The most rapid expansion is expected in the basic and heavy industries whose growth is regarded as being of particular importance to the economy. The iron and steel industry is expected to grow at an an-

Table 2.—Industrial Growth Rate Targets for the Second Development Plan, 1968-71

(In percent per annum)

Sector	Percent
Iron and steel	17.0
Machinery	13.7
Nonferrous metals	12.0
Chemicals, fertilizer, paper	10.0
Construction and construction materials	9.0
Energy	8.0
Miscellaneous	5.5
Food	5.0

Source: Development Planning Commission.

Spain greatly increased its shipbuilding capability during the past decade. Here a giant tanker is launched from a shipyard at Cadiz.

nual rate of 17%, while the food processing industry will grow at about 5% per annum (table 2). The output targets established for a number of industries, particularly electricity, coal, steel, cement, nonferrous metals, chemicals, paper, and shipbuilding are intended to reduce the trade deficit on industrial products through increased exports and import substitution.

The Services sector also is expected to grow vigorously, with its contribution seen increasing by an average of 5.0% annually, and its productivity gaining 1.9% annually.

FOREIGN TRADE

The Plan foresees a rapid expansion of exports and imports of goods and services. Exports are expected to grow by nearly 70%, and imports by about 53%. Table 3 shows the Plan's balance of payments projections for 1968–71.

The surpluses expected in 1968–71 are dependent on the relative rates of growth of exports and imports at the planned levels, the increases in income from emigrant remittances and long-term capital, and earnings from tourism. However, it is doubtful that the latter two sources will increase as rapidly as in the past.

The Plan, which is mandatory for the public sector, is merely voluntary for the private sector. For this reason, the Government's commitment to public investment activities is considerable. Real public sector investments will reach about $6.5 billion, and $1.3 billion will be used for financial investments, to be effected primarily by the Government's National Institute of Industry (INI). (For additional information on INI, see Chapter 4.) About 67% of the funds for the public investment program will come from the central Govern-

Table 3.—Spain: Balance of Pay.nents

(In millions of U.S. dollars)

	Average 1966–67	1968	1969	1970	1971
Balance of goods and services	−949	−650	−695	−740	−785
Balance of transfers	434	350	370	390	410
Net long-term capital	442	400	425	450	500
Basic balance	−73	+100	+100	+100	+125

Sources: Spanish Ministry of Finance; Development Planning Commission.

ment budget. Autonomous government agencies will finance 22% of the program, using their own earnings, official credit, and borrowings in the private capital market. Local governments and the foreign sector will be called on to supply 7% and 4%, respectively of the program. Table 4 outlines projected investments for the public sector under the Second Plan.

A pronounced change is expected in the distribution of the labor force during the Second Plan, with employment in agriculture declining more rapidly than agriculture's share of gross domestic product (GDP), and employment in services rising despite that sector's almost unchanged share in GDP. The net increase in the labor force from 1967 to 1971 is estimated at 638,000, with a decline of 420,000 employed in agriculture, and increases of over 500,000 in both industry and services. Changes in the labor force and in productivity are shown in table 5.

Table 4.—Spain: Second Development Plan, Distribution

(In millions of U.S. dollars)

	1968	1969	1970	1971	Total
Education	$188	$183	$214	$284	$869
Scientific & technical research	17	17	24	33	91
Health, welfare, social security	47	58	62	66	233
Housing	160	212	210	189	771
Urban planning & services	152	173	242	312	879
Rural planning & improvements	60	66	75	84	285
Agriculture	102	116	128	147	493
Irrigation & other hydraulic works	154	175	198	228	755
Transportation	404	415	410	402	1,631
Postal system & telecommunications	10	12	13	15	50
Tourism	13	14	16	18	61
Cultural & information activities, sports	10	12	13	15	50
Internal trade	14	15	17	19	65
Economic development centers & areas	25	29	32	36	122
Other sectors	38	39	48	57	182
Financial investment	254	308	344	380	1,286
Total	$1,648	$1,844	$2,046	$2,285	$7,823

Source: Spanish Development Planning Commission.

Table 5.—Second Development Plan: Average Annual Changes in Labor Force and Productivity (1968–71)

(In percent)

	Active labor force	Productivity	GDP
Agriculture	3.0	5.9	2.7
Industry	2.7	3.9	6.7
Services	3.0	1.9	5.0
Total	1.3	3.9	5.2

Source: Spanish Development Planning Commission.

Coupled with the drive to increase productivity is concern over work accidents which contribute to a slackening in productivity growth. Each year there are more than 1.8 million work related accidents in Spain, a rate approximately eight times higher than the U.S. average. These accidents account for about 2,500 deaths and 6,500 incapacitations, and result in an economic loss estimated at about $1.3 billion annually, or about 5% of GNP. A large portion of the accidents is due to lack of safety equipment and procedures. The growing awareness among Spanish firms of the cost of this neglect may open export opportunities to U.S. manufacturers of safety equipment and devices.

CHAPTER II

The Market for U.S. Products

Table 6 shows Spain's principal imports from the United States from 1964 to 1968. United States shipments of manufactured goods have risen continuously since 1961, and in 1968 comprised about 57% of total exports to Spain (30% in 1961). The largest group in 1968 and since 1962 has been machinery and transport equipment (SITC group Number 7), with $226 million, representing nearly 39% of the total (22% in 1961). As the Spanish economy continues to develop in coming years, the market for manufactured goods, particularly capital equipment, should continue to remain excellent.

The rapid development of industry registered during the period of the First Development Plan (gross fixed capital formation rose an average of 9.4% annually), requires that this sector continue to expand not only to increase sales in the domestic market, but also to gain access to foreign markets. The modernization and restructuring of industry, especially of the leading sectors, will constitute the basis for this expansion. The Government's policy will probably require a mixture of tariff changes, concerted action plans, credit, and tax exemptions in order to effect economies of scale and eliminate gradually the small, inefficient enterprises which exist in many industries.

Table 6.—Spain's Principal Imports From the United States, 1964-68

(In millions of U.S. dollars)

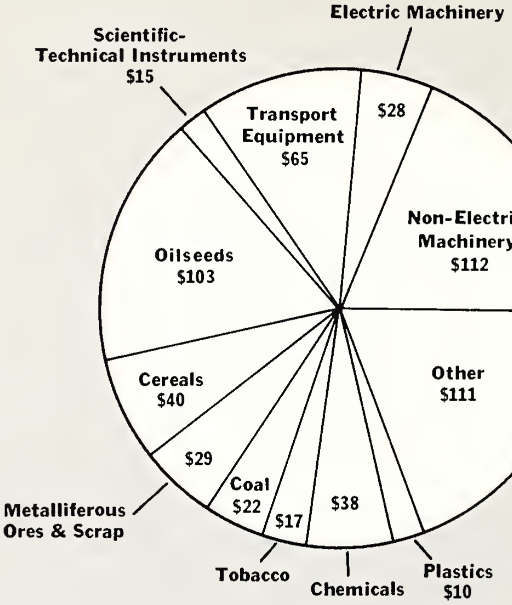
Commodity	1964	1965	1966	1967	Percentage of imports from world	1968	Percentage of imports from world
Cereals & cereal preparations	62.2	94.2	127.5	71.3	33	40.0	27
Tobacco & manufacturers	14.5	15.9	17.1	18.4	36	16.6	32
Oilseeds, nuts & kernels	7.6	38.7	77.0	92.9	85	103.4	89
Wood, lumber & cork	3.7	4.1	5.8	7.8	13	7.7	12
Textile fibers & waste	7.4	10.0	10.8	10.1	10	8.8	8
Metalliferous ores & scrap	9.3	15.7	12.7	4.8	7	29.1	24
Coal, coke & briquettes	20.5	20.3	18.0	15.8	61	21.9	59
Animal oils & fats	7.9	11.0	11.4	8.8	80	7.7	68
Chemical elements & compounds	14.7	14.8	19.1	22.9	17	26.6	17
Medical & pharmaceutical products	1.7	3.5	3.6	5.5	18	8.4	21
Plastic materials, regenerated cellulose & artificial resins	8.8	11.7	12.4	9.2	17	10.3	18
Chemical materials & products, n.e.c	3.4	4.4	6.3	8.6	20	11.5	23
Iron & steel	12.4	21.6	8.7	9.5	51	6.8	4
Machinery, non-electric	76.8	110.1	127.4	128.3	20	111.9	19
Electrical machinery	17.8	24.6	34.9	30.7	18	27.9	17
Transport equipment	10.4	20.9	18.9	50.5	29	65.0	41
Professional, scientific & controlling instruments; Photo & optical goods	6.8	9.7	13.5	15.4	19	14.5	18
Animal feedstuffs	16.3	10.6	12.1	1.8	7	4.6	18

n.e.c.—Not elsewhere classified.

Source: OECD, *Commodity Trade, Series B, 1964, 1966, 1968.*

SPAIN'S IMPORTS FROM THE UNITED STATES, 1968

(In Millions of U. S. Dollars)



Source: OCED, 1968 Commodity Trade, Series B.

Although part of the Government's program is aimed at reducing the trade deficit incurred by industry, it can be expected that continued purchases of industrial equipment will be made from abroad. The Plan forecasts that consumption of capital goods will grow nearly 12% annually to $3.5 billion by 1971. Domestic production of industrial equipment should increase by 14% annually, while imports are expected to grow less slowly, by only 8.2% to $1 billion in 1971. However, capital equipment of all types as well as items such as electric powered tools and mechanical handling equipment, which are not produced yet in Spain or available in Western Europe, will be in demand.

NON-ELECTRIC MACHINERY

Non-electric machinery constitutes the largest U.S. export category to Spain, totaling $116 million in 1969; tables 7 and 8 list data on U.S. exports to Spain for 1966–69. Information on the significant groups of machinery under this category follow.

Power Generating Equipment

Exports of this type of machinery have stood at about $32 million in recent years (table 8). Demand for nuclear reactors, steam generating power boilers and engines, including those for jet aircraft, should remain excellent over the short-term.

The electric power industry has shown impressive growth, nearly doubling since 1961. Output in 1967 was 40.6 billion kw-hr., up nearly 8% from the previous year. Installed capacity has risen to 12 million kw-hr. At present, nearly 73% of production is accounted for by hydroelectric plants. The Plan, recognizing that electrical energy production must expand to meet the growing demand, projects a rise of about 14.5% by 1971, and an increase in installed potential to about 19.8 million MWE. As Spain's utilization of its potential hydroelectric resources now approaches the feasible maximum, future investment in the production of electrical energy will be concentrated in thermoelectric and nuclear powerplants. Investments required will total slightly over $1 billion in production facilities, and an additional $580 million in transportation and distribution facilities.

Table 7.—U.S. Exports to Spain of Non-Electric Machinery, Other Than Power Generating, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Agricultural machinery for harvesting	0.9	0.7	0.9	0.8
Tractors, except road & industrial	4.8	4.7	4.2	8.3
Electronic computers, except punch card type	5.7	6.1	7.8	8.0
Office macbines, n.e.c	0.9	0.8	1.0	1.9
Metalworking machine tools	6.8	4.2	4.0	2.6
Metalworking machinery, except machine tools	14.2	10.0	11.2	13.0
Textile machinery	2.7	2.8	2.4	3.3
Printing & bookbinding machines	1.3	1.3	1.0	1.4
Food processing machinery	0.7	0.8	0.7	0.3
Construction & mining machinery	5.8	7.5	5.4	10.2
Mineral & class working machinery	1.7	1.6	1.1	0.8
Heating & cooling machinery	17.4	14.6	8.7	9.2
Pumps, centrifuges & parts	6.8	6.6	6.1	6.5
Mechanical handling equipment	9.4	7.4	7.6	9.3
Powered tools	2.8	2.2	2.0	1.6
Nonelectrical machines, n.e.c	2.2	2.5	1.3	1.9
Bearings—ball, roller	1.0	0.6	0.5	0.8
Machinery/mechancial appliances, n.e.c	3.3	4.2	3.1	8.1
Parts & accessories for machinery, n.e.c	3.2	2.0	4.4	3.1
Total	91.6	76.6	71.0	90.3

n.e.c.—Not elsewhere classified.

Sources: U.S. Department of Commerce, Bureau of the Census, *U.S.Exporters, FT 420, FT 450, 1966-1969.*

By 1971, about 1.1 million kw-hr. will be produced by nuclear power plants. The first, Zorita, began producing in October 1968 and is supplying electricity to Madrid. Two other plants are under construction, the first of which (Nuclenor) is to be completed in 1970, while the other will be a joint Spanish-French project at Vandellos (Tarragona Province). Plans for three additional nuclear power plants are now being developed. Spain has one plant where domestically mined uranium ore is processed, for subsequent enrichment in the United States. A second processing plant will soon be built.

METALWORKING MACHINERY

Spain imported about $47 million worth of metalworking machinery in 1968, of which the U.S. share was roughly 32%, or $15.2 million. The market for this type of equipment should remain excellent in the next few years since many industries such as metals, automotive vehicles, and shipbuilding are expanding rapidly.

The Spanish Government's determination to modernize and expand the steel industry is apparent in its April 1969 move under the Concerted Action Program to grant preferential credit facilities to integrated steel works with an annual ingot capacity of over one million metric tons, thus effectively limiting participation to three major firms. However, the extension of these benefits puts an end to the preferential position held for many years by the state-controlled firm ENSIDESA. The overall 5.05 million ton production in 1968—a 17% increase over 1967—was the result of continued expansion by the two large producers. Investments reached $250 million in 1968 and proceeded at a slightly higher rate in 1969. Investments projected in the industry through 1971 total $790 million.

Studies completed by the industry's trade association indicate that the present rate of expansion will bring domestic production in line with demand in about 1972, when steel output will have reached 10 million metric tons. This may not be an unrealistic projection, considering the rate at which the industry is replacing the older equipment with more modern installations. Presently, one half of Spanish steel output is produced with equipment less than 3 years old, and another 25 with equipment less than 6 years old.

U.S. exporters should continue to concentrate on supplying steel producing machinery and equipment. In 1968, the U.S. furnished 50% of the market, supplying Spain with $4 million worth of converters, ladles, ingot molds, and casting machinery. The future construction of Spain's fourth steel complex at Sagunto should offer excellent sales opportunities to U.S. exporters.

The motor vehicle industry is concentrated in Madrid, Barcelona, and other industrial centers. The industry, now eighth in the world, began developing in 1951 and has made rapid strides toward meeting domestic demand. Production in 1968 amounted to 311,500 vehicles and 80,272 commercial and industrial vehicles. A breakdown of this production is given in table 9.

Table 8.—U.S. Exports to Spain of Power Generating Machinery, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Steam generating power boilers & parts	11.4	16.2	9.3	5.2
Steam generating power boiler accessories	1.8	2.6	2.4	0.6
Steam engines, turbines & parts	0.5	0.9	0.5	0.5
Engines & jet, gas turbines—aircraft, etc	3.8	4.7	5.0	6.3
Internal combustion engines, except aircraft & parts	6.1	3.2	5.4	3.3
Gas turbines, n.e.c. for mechanical drives	0.2	0.1	0.2	0.5
Nuclear reactors & parts	7.3	3.8	9.2	6.0
Total	31.1	31.5	32.0	22.4

n.e.c.—Not elsewhere classified.

Sources: U.S. Department of Commerce, Bureau of the Census, *U.S. Exports FT 125 & EM 450/ 455, 1966-1969.*

Table 9.—Spanish Vehicle Producers, 1968

Firm	Location	Production (units)
Passenger cars:		
Authi	Pamplona	21,020
Barreiros	Madrid	31,886
Citroen	Vigo	23,834
Fasa-Renault	Valladolid	58,983
Munguia Industrial	Bilbao	57
Seat	Barcelona	175,751
Total		311,531
Commercial-Industrial Vehicles:		
Asia	Madrid	4,283
Barreiros Diesel	Madrid	6,998
Citroen	Vigo	16,279
Enasa	Madrid-Barcelona	7,824
Enmasa	Barcelona	1,336
Fadisa	Avila	3,165
Fasa-Renault	Valladolid	11,887
Imosa	Vitoria	7,920
Metalurgica	Linares	5,723
Motor Iberica	Barcelona	5,290
Munguia Industrial	Bilbao	7
Sava	Valladolid	3,368
Seat	Barcelona	4,256
Viasa	Zaragoza	1,936
Total		80,272

Source: Banco Central, Madrid.

The shipbuilding industry is located primarily in the north and has been expanding quite rapidly in recent years. Spain's shipyards now have the capacity to produce dry cargoes, super tankers (up to 200,000 tons), refrigerated ships, fishing boats, and auxiliaries. In 1968, the Government inaugurated a concerted action program designed to consolidate the industry and raise production. The program offers an attractive possibility for sales of U.S. equipment, since most firms will be exempt from customs duties on necessary imports of equipment.

TRANSPORT EQUIPMENT

Spain's imports of transportation equipment totaled $156 million in 1968, nearly 50% higher than in 1965. The United States furnished roughly 42% of this total, or $66 million (table 10). Jet passenger aircraft, parts, and accessories remain the single most important commodity imported by Spain, principally by Iberia, the national airline, which now operates an all-jet fleet. Planned improvements in air transport will require the addition of new and larger aircraft and the modernization of ground facilities. This will include new aircraft handling terminals and expansion of existing heavy-traffic airports. New facilities for servicing are also targeted during the period.

Large sums are expected to be spent (table 11) over the next 3 years to improve all forms of transportation, since this is one of the key sectors to be accorded top priority under the Second Development Plan.

The principal objective in rail transportation is to restructure service in accordance with increasing demands. A major effort will be made to upgrade equipment and modernize procedures, including expenditure of about $77 million for new locomotives and self-propelled cars, and an additional $41 million for improving signals, control systems, and telecommunications.

In addition, large sums will be spent to improve sea transportation and port facilities. The Plan projects a 1.7 million metric ton increase in gross tonnage, including containerization facilities in Barcelona.

CONSTRUCTION-MINING MACHINERY

Spain's imports from the world totaled $53 million in 1968, down 10% from 1967, and the U.S. share was 10%, or $5.4 million. Earthmoving and related equipment used for road and building construction will continue to be in strong demand as the country proceeds with modernization of the highway network and the Government strives to meet the increasing need for housing in the ruban-industrial centers.

Under the Plan, over $600 million will be spent to construct new highways and widen and reconstruct existing ones. Over 400 kilometers of superhighway are expected to be built during the 1968–71 period, involving investments of $366 million. During the next several years, the major effort will be devoted to construction of 3 tollways linking Barcelona to the French border, Madrid, and the area to the south. It is planned that these superhighways will be built to accommodate

Table 10.—U.S. Exports of Transport Equipment to Spain, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Railway locomotives	0.3	0.1	1.0	0.8
Parts of railway vehicles	1.4	0.2	0.6	0.5
Passenger cars & trucks	13.9	6.0	2.6	5.8
Motor vehicle & tractor parts	2.0	1.6	1.7	3.8
Aircraft	7.9	41.1	49.3	35.6
Aircraft, n.e.c. & parts/accessories	4.8	11.4	10.8	14.6
Ships & boats for breaking up	....	0.5	0.7	1.1
Total	20.3	60.9	66.7	62.2

n.e.c.—Not elsewhere classified.

Sources: U.S. Department of Commerce, Bureau of the Census, *U.S. Exports, FT 420 & FT 450, 1966-69.*

In 1964 the World Bank made a $65 million loan to the Spanish national railroad authority to help finance the first 2 years of its 10-year modernization program. Shown is the new "Talgo" train at the Barcelona Station.

the increasing flow of truck and passenger car traffic, which is especially heavy in the northeast sector. Hotels, motels, and restaurant facilities will be built along these roads to service this vehiclar traffic. Information on the Barcelona area projects is available from the Office of International Investment, BIC—878, U.S. Department of Commerce, Washington, D.C. 20230.

The Plan calls for the rationalization of the existing structure of the construction industry, now composed of many small materials producers and constructors operating on a marginal basis in a particular region. Considerable importance is given to modernization of the construction industry through mechanization, and the Plan foresees investments of $426 million in new machinery and $226 million in replacement machinery.

Recognizing the severe shortage of housing in Spain, particularly in rural areas, the Plan foresees that 1.13 million units will be constructed by 1971. An overall investment of $588 million will be required during the period, of which about 20% will be direct government investment, or credit; 18% will emanate from institutional credits; and 62% from individuals. Table 12 reflects changes in the financing of housing construction.

Related to construction of housing are plans for development of tourism, the single most important foreign exchange earner for Spain in recent years. The Second Plan estimates that the rate of growth of the tourist industry will fall from 22.4% annually (1963–68) to about 5.3% per year through 1971. An increase in earnings to $1.9 billion in 1971 is predicted, up from $1.28 billion in 1969 when over 21 million tourists visited Spain. The growth in demand for tourist facilities will lead to the creation of over 204,000 new hotel-pension accommodations, of which 190,000 will be hotel rooms. The greatest expansion will be in first and second class hotels, with some 13,000 luxury rooms also to be added by 1971.

Growth in the tourism sector will also lead to a great increase in the establishment of complementary facili-

Table 11.—Transportation Investments Projected by the Second Development Plan (1968–71)

(In millions of U.S. dollars)

	Public	Private	Total
Highway:			
Roads	$726	$356	
Trucks, buses		1,485	
	$726	$1,841	$2,567
Rail:			
Construction	29		
Administration & equipment	510	29	
	$539	$29	$568
Sea [1]:			
Ports & construction	174		
Ships	57	428	
	$231	$428	$659
Air:			
Airports	133		
Airlines		204	
	$133	$204	337
Total			$4,131

[1] Does not include fishing industry.

Source: Spanish Development Planning Commission.

Table 12.—Number of Residences Constructed, 1961-68

(In thousands)

Year	State financed	Private	Total
1961	121.9	13.5	135.4
1962	147.8	14.6	162.4
1963	187.8	18.8	206.7
1964	231.2	25.7	256.9
1965	240.8	42.5	283.3
1966	211.4	57.0	268.4
1967	132.1	72.4	204.5
1968	133.4	114.7	248.1

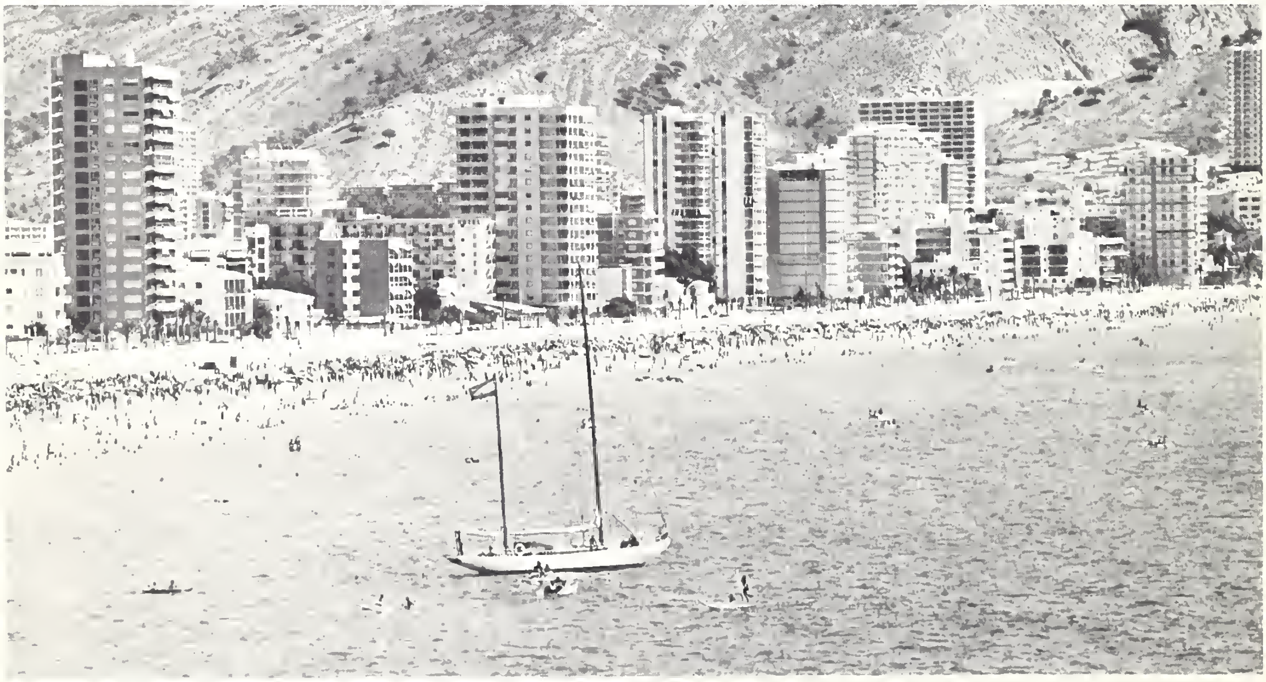
Source: Spanish Ministry of Housing.

ties such as bars, restaurants, and taverns. It is estimated that some $1.6 billion of new investment will be necessary to achieve Plan objectives, of which 80% will come from the private sector. Direct public investment will reach about $61 million, and $30.8 million in government credits also will be available. The largest part of this investment, or $815 million, will be for the new hotel accommodations. Another $428 million is expected to be spent in non-hotel facilities such as campgrounds, bungalows, and vacation residences. In addition, $93 million (not including construction costs) is planned for complementary facilities; and $223 million for integrated tourist complexes. The Plan identifies sporting facilities as having the greatest short-term possibilities.

HEATING AND COOLING EQUIPMENT

Spain's global imports of heating and cooling equipment reached nearly $42 million in 1968, roughly the same amount as in 1964, but down from the $60 million peak in 1966. The U.S. share in 1968 was nearly 20%, or $8.4 million. Industrial refrigerators, cold boxes, and freezers, together with central heating and air conditioning are representative of the items which U.S. firms now readily sell in Spain. The continued boom in housing construction in urban centers and the expansion of hotel and tourist facilities in particular should offer very significant sales opportunities to U.S. exporters over the next 3 to 4 years.

The Spanish food refrigeration industry is expanding rapidly. The introduction of home and commercial refrigeration facilities is a relatively recent development which has been enthusiastically accepted. In addition, the Government is strenuously pushing for better and extended commercial refrigeration as an essential link in food distribution. The Spanish Cold Storage Network was established late in 1964 to promote the development of cold warehouses and the increased use of refrigerated vehicles for both intra- and inter-urban transport of food. The Plan forecasts putting 400 such vehicles into use, requiring a $4.3 million investment. The program offers significant tax, credit, and tariff



Spain's construction industry has experienced a boom in recent years, especially at resort areas. New buildings are shown along the beach at Alicante.

concessions to imported goods destined for use in the Network.

In March 1970, the Department of Commerce staged a major commercial exhibition in Madrid, which featured refrigeration equipment geared to all phases of the food industry, together with food processing and packaging equipment. U.S. firms participating in this exhibit sold $412,000 off the floor and projected 12-month sales of $6.9 million.

Market research conducted for the Department of Commerce revealed that products having the highest sales potential are: machinery, equipment, and components for refrigeration assemblies, including compressors (open-type, semi-hermetic, and hermetic), condensers, and evaporators; control equipment and apparatus, including automatic and electronic equipment for refrigeration assemblies; commercial refrigeration assemblies such as units for walk-ins and warehouses; and transportation equipment such as refrigeration units for trucks, trailers, and mobile containers. The market for finished commercial refrigeration cabinets, display units, and deep freeze units will be supplied from domestically manufactured units using a large proportion of imported compressor assemblies. Spanish trade data indicate that the United States supplied nearly 38% of Spain's total imports of commercial refrigeration units in 1968, a proportion which continued into 1969.

CHEMICALS

The chemical industry is among the newest and most dynamic of Spanish industries. Covering a fairly wide range of products from fertilizers to paper paste, its size falls about midway in relation to other industrialized nations. Due in large part to the significant development of domestic demand, the industry has experienced a rapid rate of growth, expanding by 8.5% and 11.9% in 1966 and 1967, respectively, and by 8.6% in 1968.

The industry as a whole is expected to continue its expansion and growth, with variations in some sectors. It is just beginning to become self-sufficient in certain base materials and should be characterized by further sophistication in the future. It is estimated that the industry will sustain an annual average growth rate of 10 to 11% over the next 4 years. The sectors with the greatest outlook for growth are the manufacturing sector (39.5% annually) and the basic chemical sector (23.8% annually). To achieve this growth, the Plan states that it will be necessary to invest approximately $750 million in the entire industry, about three-fifths of which is targeted for the basic chemicals and the manufacturing sectors.

Table 13.—U.S. Exports to Spain of Chemicals, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Organic chemicals	8.1	11.3	16.3	21.1
Inorganic chemicals	1.2	1.5	1.8	1.8
Pigments, paints, varnishes	0.5	0.7	0.9	0.8
Medicinal & pharmaceutical products	2.8	4.5	6.3	7.4
Essential oils	0.3	0.5	0.6	0.7
Soaps, cleaners, polishes	0.8	0.9	1.2	0.9
Fertilizers	(1)	1.0	7.2	5.2
Synthetic resins, plastics	7.2	5.0	5.5	6.8
Chemical products, n.e.c	2.2	4.5	4.3	5.2
Total	23.1	29.9	44.1	49.9

[1] Under $50,000.
n.e.c.—Not elsewhere classified.

Sources: *U.S. Exports, FT 420, FT 455, 1966-1969,* Bureau of the Census, U.S. Department of Commerce.

Progress should be especially noteworthy in the crude oil-based industries. Construction of oil refineries which can supply the necessary raw materials has been continuing, production of propylene and ethylene is rising rapidly, and eventually benzene and its derivatives should also be available. Petrochemicals are a fast developing field, and Spanish firms, many with the participation of the National Institute of Industry (INI), have grown rapidly into competitive positions.

The objective of the Second Plan is to increase reliance on domestic production and effect a substantial reduction of Spanish imports of basic products, in order to reduce the trade deficit. The Plan's production figures are given in table 14. It is questionable, however, whether a significant reduction of imports can be achieved by the end of the Plan, despite the fast development within the petrochemical field.

It is quite likely that the Government will establish a "concerted action" plan for the sector; one objective would be the merging of smaller companies and a concentration of the industry in locations determined by the Government. The sector will require large amounts of capital and equipment to continue its modernization and growth.

Despite the large targeted increases in domestic production—some of which is to be exported—imports are expected to continue, since the industry is still far from satisfying domestic needs. Spain's worldwide imports of chemicals reached $369 million in 1968, 80% more than in 1964; the U.S. share was $65 million (18%), more than double the $31 million total in 1964. The Plan foresees total imports of about $435 million by 1971, with imports of manufactured products, agri-chemicals, and pharmaceuticals rising slightly, and im-

Table 14.—Production Objectives for the Chemicals Industry Under the Second Development Plan.

(In metric tons)

	1967	1971	(Projected)
Organic chemicals			
Ethylene	56,400	260,000	
Polyethylene	42,500	150,000	
Polychloride vinyl	57,000	120,000	
Benzene	11,500	220,000/250,000	(1)
Toluene	2,870	10,000/40,000	(1)
Orto-xylene	(2)	23,000	(1)
Textile fibers monomers			
Caprolactum	(2)	20,000	(1)
Terephathlic acid	(2)	30,000	(1)
Inorganic chemicals			
Sulfuric acid	1,782,000	2,750,000	
Chlorine	98,000	220,000	
Fertilizers			
Nitrogenous (N/Tm)	379,000	600,000	
Potassic (K_2O Tm)	500,000	925,000	
Phosphoric	24,000	280,000	(1)
Paper			
Paper pulp	749,174	1,100,000	
Paper and board	871,117	1,300,000	

(1) Production capacity.
(2) No production in 1967.

Source: "II Plan de Desarrollo," Presidencia del Gobierno.

ports of basic chemicals decreasing as the domestic industry develops productive capacity. The continued expansion of the sector should result in increased opportunities for U.S. firms, especially for supplying basic organic and intermediary chemicals, pharmaceuticals, and plastic materials.

ELECTRONICS

The market for electronic products is rising rapidly, especially for commercial, industrial, electronic data processing, and military equipment. The production of TV receivers reached about 600,000 units valued at $110 million in 1968 and wholly satisfies internal demand; it is estimated that as of mid-1969, nearly 38% of Spanish households had television. About 500,000 radios, predominantly of the transistor type, were produced in 1968. Imports of transistor radios from Japan and Hong Kong continue to rise, and reached 736,000 units in 1968, valued at $4.6 million. A large percentage of these radios are imported and sold in the Canary Islands. With rapidly rising production capacity, the best prospects for U.S. exports in the consumer field appear to be in quality sound reproduction equipment.

The computer and electronic equipment sector continues to grow, and Spanish subsidiaries of foreign companies play an important role in the market. The non-consumer market for commercial, industrial, and military equipment is estimated at about $200 million, with roughly $65 million supplied by imports, about two-thirds of which are telecommunications equipment.

The Spanish telephone company continues to be the most important single client for electronic communications equipment and is purchasing mostly automatic telephone exchanges. The company is also installing submarine cables and new microwave links and has contracted for the installation of a second antenna at the Buitrago (near Madrid) satellite ground station and a new antenna at the Canary Islands station. Imports of electronic communications equipment are decreasing due to increased domestic production, largely by subsidiaries of foreign companies, and total imports in 1968 were $30 million, of which $4.0 million was supplied by the United States.

With the surge in Spanish shipbuilding, the demand for maritime communications equipment remains strong. A Spanish project for the unification and automatization of the defense and air traffic control systems, when finally approved, should also boost demand for electronic communications equipment. The Spanish military services are also seeking to improve their communications systems.

Office electronic equipment imports—which nearly equal domestic consumption—continue their generally upward course, and are expected to rise significantly in the near future as the following data (in millions of U.S. dollars) indicate:

	1966	1967	1968
Electronic calculating equipment	4.0	6.4	5.2
Card-operated electronic equipment	19.2	23.1	25.3
Total	23.2	29.5	30.5

The United States is the major supplier, and U.S.-made or licensed computers clearly dominate the market. It is estimated that as of mid-1969 there were about 700 computers[1] in use in Spain, with the number scheduled to rise to 800 by the end of 1969. The Spanish Government, banks, transportation companies, shipbuilders, and research organizations continue to be the principal customers.

Spanish companies, notably in the electric power, shipbuilding, petroleum refining, chemicals, and motor vehicle sectors, have become aware of the need for quality control to assure production that is competitive abroad. Thus, the demand for electronic, measuring, control, and automatization equipment continues to grow. Although the electronic equipment sector is developing, the country must still import the vast bulk of the more sophisticated instruments. Imports of scien-

Table 15.—U.S. Exports to Spain of Electrical Machinery, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Electric power machinery	16.8	17.4	8.3	7.0
Electric apparatus for electrical circuits	3.5	2.5	4.8	5.0
Wire & cable, insulated	0.3	0.3	0.7	0.5
Telecommunications equipment, n.e.c.	7.2	8.6	5.9	8.3
Electric household equipment & appliances	1.2	1.6	0.5	0.4
Electro-medical apparatus, Except X-Ray	0.3	0.4	0.4	0.6
X-Ray & radiological apparatus	0.4	0.8	0.5	0.6
Electric lamps & parts, n.e.c	0.7	1.0	0.7	0.8
Electron tubes, n.e.c. & parts	1.5	1.1	1.5	1.7
Electric ignition equipment—internal combustion engines	1.1	1.0	1.2	1.7
Electric measuring & controlling apparatus	2.9	3.1	2.8	2.6
Electrical machinery & apparatus, n.e.c.	2.0	2.7	2.6	2.0
Total	37.9	40.5	29.9	31.2

n.e.c.—Not elsewhere classified.

Sources: U.S. Department of Commerce, Bureau of the Census, *U.S. Exports, FT 420, FT 450, 1966-69.*

tific, medical, optical, measuring, and controlling equipment (SITC Group 861) totaled $45 million in 1968, with the United States supplying 15.5%. U.S. firms have a strong competitive position because of their technological lead, and should take advantage of the Spanish market.

SCIENTIFIC AND TECHNICAL EQUIPMENT

Spain spends only about 0.2% of its GNP on scientific research, well below the 1% spent by European nations as a whole. The Second Plan therefore urges that more interest and stimulus be given to promoting research in the public sector (university, government research organizations), and suggests that $44 million be spent through 1971. With respect to private and industrial research, the Plan suggests that measures be taken to spur activity in this sector. Among the measures contemplated are partial financing, tax relief, and tariff exemptions for imported equipment. In addition, the mixed enterprises (public-private) exploiting foreign licenses which fail to carry out research would be subject to penalties.

Spain's global imports of this equipment, including medical, optical, measuring, and controlling instruments, have risen steadily from $24 million in 1964 to $45 million in 1968, while the U.S. share has risen from 12% in 1964 to 15.5% in 1968. Spain should continue to offer a lucrative market for measuring and controlling apparatus in view of the modernization of industry and the concurrent drive for increased productivity in all sectors.

FOOD PROCESSING EQUIPMENT

Although shipments from the United States are relatively small, averaging about $700,000 in the last 3 years, there exist and will continue to exist excellent opportunities to exploit the Spanish market. Overall, the industry is characterized by many small and inefficient firms having obsolete equipment and installations. In the meat sector, for example, there are insufficient abattoirs with refrigerated facilities. The Plan estimates that roughly $394 million must be invested to meet the basic objectives of modernization, and rationalization of existing plants. The largest share of investment will be directed toward this goal. Investments in each sector of the food industry under the Plan are shown in table 16.

As part of the measures to spur the concentration of enterprises, the Government offers preferential official credits for the construction of new consolidated fish packing plants which meet specified technical standards.

There exists an excellent market for medium speed sealing and can closing machinery. It is still premature to market the ultra high speed units, such as those used in the United States, because of the difficulty of integrating them into existing lines and because their operation and upkeep may be beyond the capacity of presently trained personnel. Similarly, modern filling machines of medium speed and conventional type can probably be sold.

Market research indicates that there is excellent potential for bottling, filling, and closing and labeling machinery. The Spanish Government is making strenuous efforts to increase wine exports, and the wine industry (one of the oldest and most conservative)

Table 16.—Investments in the Food Industry Under the the Second Development Plan

Sector	Value
Meat	50
Milk	46
Canned vegetables	42
Fats & oils	76.5
Cereals	48.5
Sugar & related industries	43
Wines & alcoholic beverages	55

Source: Spanish Development Planning Commission.

may have to modernize and replace some of its obsolete low-speed equipment in order to compete internationally. Traditionally, Spanish wine producers look to France for machinery and equipment. However, the beer and soft drink industries have set the precedent of buying from the United States, and there is hope that wine producers will do likewise.

AGRICULTURAL MACHINERY AND EQUIPMENT

Agriculture has been designated as one of the three key sectors under the Second Development Plan, since, until recently, it has lagged considerably behind other sectors, both in growth and in modernization. Agriculture's rates of growth as compared with the GDP is shown in table 17:

The Plan's policy is aimed at increasing productivity and incomes of rural agricultural workers, whose number is expected to continue decreasing in coming years. In 1964, 25% of the labor force was employed in agriculture, but this figure dropped to 16% in 1967 and is expected to be only 15% by 1971. Agricultural productivity is projected to rise 2.7% annually through 1971, but since the number of workers will decline, this amounts to a growth of about 5.9%, compared to 3.9% for the whole economy.

Mechanization, irrigation, afforestation, and other public works are scheduled to help develop the agricultural sector. Although mechanization has been proceeding at an adequate pace, there is still great need for agricultural machinery and implements. Spain's total imports of such equipment in 1968 totaled $49 million, while U.S. exports of harvesting machinery and tractors to Spain reached $5.1 million in that year.

Over 70,000 hectares of land are scheduled to be irrigated annually through next year, with investments totaling $755 million, of which the Spanish Government will spend $710 million. United States exports of pumps and compressors totaled $6.1 million in 1968 and should remain in strong demand over the coming years in view of irrigation and power development plans. The Tajo-Segura water transfer project, Spain's most ambitious public works project, will involve the construction of two canals, a 31-kilometer tunnel, and a pumping station.

Table 17.—Rates of Growth of Agriculture GDP

(At factor cost; 1958 prices)

	1964	1965	1966	1967	1968 [1]
Agriculture	13.8%	1.9%	7.6%	2.4%	6.0%
GDP	5.9%	7.6%	7.9%	3.8%	4.8%

[1] Estimates.
Source: National Institute of Statistics, *Distribution of Income, 1966 and 1967; Bank of Spain.*

The first phase of the project, construction of the Tajo-Segura aqueduct, will take 4½ years and will cost between $90 and $100 million according to Government officials. The second phase, which will include the water distribution and irrigation works, should be completed 12 years after initiation of construction of the aqueduct. Of the 600 million cubic meters of water that the completed aqueduct will transport annually, 100 million will be for urban water supply and the balance for irrigation. Information on this project is available from the Trade Opportunities Division, BDSA—541, U.S. Department of Commerce, Washington, D.C. 20230.

The Plan also embodies a series of policies aimed at correcting the structural imbalance between supply and demand for agricultural products and eliminating the present trade deficit.

AGRICULTURAL PRODUCTS

Spain has become a lucrative market for agricultural products in recent years because of inadequate domestic production and the Government's desire to dampen inflation. In 1968, imports of food and live animals, tobacco and beverages, and crude inedible materials reached over $1 billion, and accounted for 30% of global imports; the U.S. share was about 22%. The major products imported are feed grains, primarily corn and soybeans, accounting for more than 80% of total agricultural shipments to Spain, and tallow, tobacco, hides, and skins. Wheat, cotton, vegetable oils, and soybean meal were important imports from the United States in the early sixties but have nearly dropped out of trade as a result of increased production in Spain of products such as vegetable oil, oilcake, and meal from imported soybeans.

The Plan calls for a rapid increase of livestock and poultry raising—a program aimed at reducing imports of livestock and dairy products, which exceeded $100 million a year during 1965–67. Success will mean large increases in requirements for animal feed in the years ahead. Although the Plan calls for significant increases in feed grain production, Spain will likely continue to import large quantities of corn, since it is doubtful that the increase in feed grain output will equal increases in feed grain requirements. In 1968, despite the partial substitution of domestically produced barley for im-

Table 18.—U.S. Exports of Principal Agricultural Products and Raw Materials to Spain, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Live animals (poultry)	1.4	1.3	1.4	1.4
Milk and cream (dry)	0.7	2.7	1.2	.....
Corn (unmilled)	89.8	62.3	24.3	40.6
Animal feedstuffs	8.6	1.1	4.6	9.1
Tobacco, unmanufactured	4.7	3.5	5.4	4.2
Tobacco manufactures	13.9	13.2	14.7	11.4
Hides, skins (undressed)	4.0	2.4	2.8	3.0
Oilseeds, oil nuts	62.7	86.6	95.5	75.0
Cotton	1.2	0.1	1.2	0.3
Total	187.0	173.2	151.1	145.0

Sources: *U.S. Exports—FT 420, FT 455, 1966-69,* Bureau of the Census, U.S. Department of Commerce.

ported corn in mixed feeds, corn imports exceeded $130 million. Spain will also continue to import large quantities of soybeans to meet the demand for mixed feeds. Domestic capacity for crushing soybeans exceeded 1 million tons in 1968.

Spain will continue to offer opportunities for other products that the United States will be able to supply, such as tallow, hides and skins, and unmanufactured tobacco. Larger imports imports of tallow can be expected in the years ahead, since tallow is used in soap manufacture and in mixed feed. Domestic production of cigarettes should continue to create strong demand for American tobacco, with a consequent drop in manufactured tobacco products.

An IBRD loan of $25 million was awarded in July 1969 to assist Spain to carry out a livestock project designed to help meet the country's rapidly increasing demand for meat. The loan assures credit and technical services to about 1,000 farmers for modernizing livestock production techniques. In addition to the direct benefits it provides to the participating producers of beef catle and milk, the project should have far-reaching effects on Spain's entire cattle industry. It will demonstrate the advantages of modern production techniques for adoption elsewhere in the country; provide a nucleus of personnel trained in modern techniques and management; promote the development of domestic markets for breeding and feeder cattle and improved pasture seeds; provide an improved pattern of land use; lead to a more effective allocation of agricultural investment; and eventually give rise to significant savings in foreign exchange by reducing the rate of increase in meat imports.

The main area of the project will be in the southwestern provinces of Western Andalusia and Extremadura and in the northern province of Santander, the center of Spain's dairy farming. In both areas credit will be provided for developing improved pastures, fencing, water supplies, farm machinery for harvesting and conservation of fodder, livestock buildings, and the purchase of livestock.

A LivestockDevelopment Agency will be established to provide the necessary technical services to farmers for planning and implementing the required changes in production and management. There will also be a newly organized system of livestock procurement in the project areas where a well-developed market for breeding cattle does not exist. Goods and services required for farm development will be procured through normal commercial channels, mainly from local sources.

This IBRD loan is for 17 years. The total cost of the project is estimated at $52 million, of which $47 million will be for farm development, $1.4 million for the establishment and operation of the Livestock Development Agency, and $3.6 million for operation of the system of livestock procurement. The Bank loan will finance 48% of the cost, and the contribution of the Spanish Government and the producers will be 38% and 14%, respectively.

Funds will be channeled to farmers by the Instituto de Credito a Medio y Largo Plazo (ICP), the Banco de Credito Agricola, and private lending institutions.

In the past few years, U.S. exports of animals to Spain have consisted almost entirely of live poultry. This important loan should open the door to significant trade opportunities to U.S. ranchers for both beef and dairy breeding cattle.

MINERALS

The outlook for U.S. exports concerns principally the coal and oil industries. About 50% of the primary energy consumed in Spain in 1968 was produced with petroleum, continuing the upward trend established during the past several years. Consumption reached 20 million tons, representing a 19% increase over 1967. Imports increased to about 28 million tons, up from 21.2 million tons in 1967. Imports of finished products, mainly aviation fuel and liquified petroleum gas (LPG), decreased. U.S. exports of mineral products and manufactures to Spain from 1966–69 are shown in table 19.

Under the Second Development Plan, consumption of crude petroleum will increase to around 28 million tons by 1971. Spanish refining capacity will probably grow to approximately 40 million tons by that year, providing an exportable surplus.

Table 19.—U.S. Exports of Mineral Products and Manufactures to Spain, 1966-69

(In millions of U.S. dollars)

	1966	1967	1968	1969
Iron & steel scrap	2.0	1.6	6.9	29.0
Ores & concentrates of non-ferrous base metals	N.A.	1.4	6.5	0.3
Non-ferrous metal scrap	5.5	1.7	6.2	4.1
Coal, coke & briquets	12.1	10.4	15.9	21.0
Petroleum products	4.8	5.4	4.7	4.9
Iron and steel	4.7	7.2	6.2	31.4
Non-ferrous metals	4.9	4.4	4.3	4.2
Metal manufactures, n.e.c.	4.8	5.7	4.4	3.8
Total	38.8	37.8	55.1	98.7

N.A.—Not available.
n.e.c.—Not elsewhere classified.

Sources: *U.S. Exports—FT 420, FT 455, 1966-69*. Bureau of the Census, U.S. Department of Commerce.

Spain continues its search for domestic sources of crude oil on the mainland and offshore, but has not yet discovered sufficient resources to become a significant oil producing nation. There is a good sales potential for U.S. partly refined petroleum in Spain to fill fast-growing energy requirements. In 1969, U.S. exports of partly refined petroleum reached $4.8 million, which represents only a small share of the market. The market for refined petroleum products, on the other hand, will no doubt diminish as domestic supply sources take an increasing share of the market.

The Spanish coal mining sector continues to face unsolved problems. High costs, low per capita production, stiff competition from other sources of energy—mainly petroleum and lower-cost imported coal from the United States—and labor dissatisfaction, due to such factors as low pay and an unusually high accident rate, are among the causes of stagnancy in this sector. Small companies are not participating in the concerted action program, and no quick recovery for the industry appears in sight. For U.S. trade this means a continuation of a market which amounted to roughly $16 million in 1968. Spain's imports of coking coal should continue at a high level and such shipments should benefit from duty-free entry. It is estimated that Spanish steel plants will require almost 2.3 million tons of coal in 1969.

METALS

Although Spain has sizable reserves of iron ores (700 million tons), they are unsuitable for many applications and must be supplemented by the importation of special ores. Production in 1968 was between 6 and 6.5 million tons. The industry includes many of the smallest mining companies, most of which are undercapitalized, and there is little prospect that they will combine into larger units. The industry anticipates that by 1972 domestic production of iron ores will still satisfy only 63% of consumption, and about 4.5 million tons will have to be imported.

Although the steel industry is developing rapidly (see "Metalworking Machinery," Chapter 2), domestic production still lags behind consumption, and it can be expected that Spain will continue to import steel from the United States and other sources as it has in the past several years. Planned production capacity, production, and consumption of steel products are given in table 20.

Table 20.—The Spanish Steel Industry Under the Second Development Plan

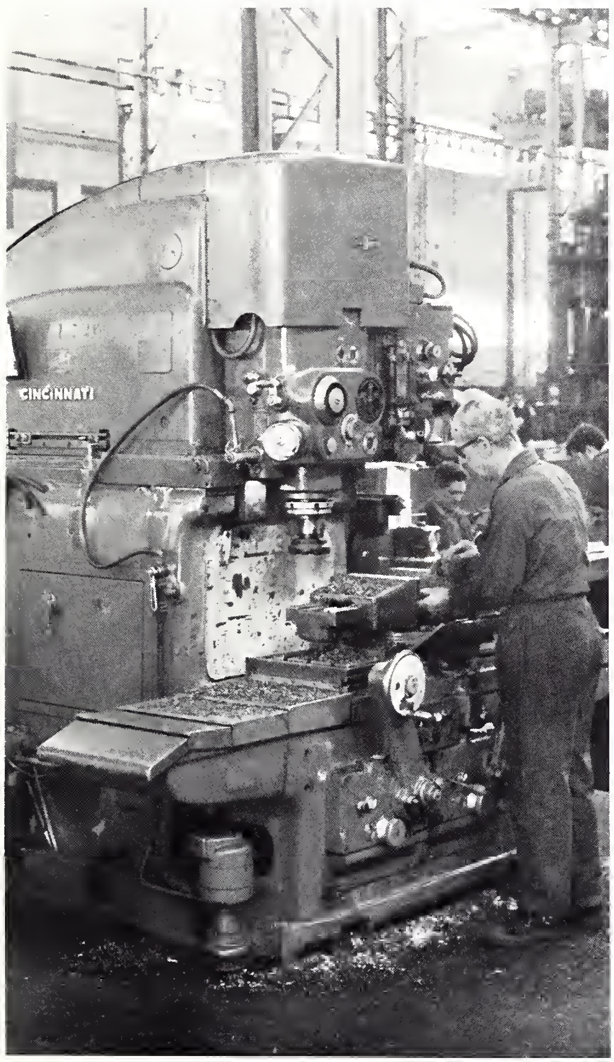
(In thousands of metric tons)

	Consumption	Production	Installed capacity
1968	7,300	5,100	6,800
1969	8,100	6,400	8,900
1970	8,925	7,700	9,900
1971	9,800	8,500	10,300

Source: Spanish National Metal Syndicate, *Bulletin No. 1.*, January 1969.

CHAPTER III

The Competition



Conventional machine tools, such as this U.S. model, are in demand in Spain. Last year, Spanish imports of metal working machinery totaled $35 million.

Despite the drop in overall imports brought about by the November 1967 devaluation and the subsequent recession during 1968, the United States maintained its share of the market at slightly under 17%.

From 1964 (the first year of the Development Plan) to 1968, Spain's imports from the United States rose 67%, while the U.S. share of the market rose from 15.7% in 1964 to 16.8% in 1968. The U.S. performance in 1966–68 was excellent; the U.S. share of imports was maintained in a generally declining market, while Spain's imports from the Common Market (EEC),[1] and the European Free Trade Association (EFTA)[2] fell.

From 1964 to 1968 Spain's global imports rose 56%, and imports from the EEC rose 47%, but the EEC's share of the market fell from 36% in 1964 to 34% in 1968. Germany remains Spain's principal supplier of imports from the EEC, followed by France, Italy, and the Benelux (Belgium, Netherlands, Luxembourg).

Imports from the EFTA countries rose 30% in the same period, while the EFTA's share of the market rose from 18% in 1964 to 25% in 1968. The United Kingdom remains the chief EFTA supplier and is Spain's fourth supplier of imports. Among the EFTA countries, it is followed by Switzerland, Sweden, Denmark, Finland, Portugal, and Austria. Table 21 contains detailed data on Spain's principal trading partners. The fall-off in imports from Western Europe has been taken up by all the less-developed countries, except those in Asia. Imports of petroleum products from Saudi Arabia, Lybia, and Iraq are largely responsible for these increases.

On a commodity basis, the United States, EEC, and EFTA accounted for nearly 92%, or $1,725 million of

Spain's imports of manufactured goods in 1968. If the U.S. share is subtracted, Western Europe accounted for $1,402 million, or 75% of global imports of manufactured goods, and 40% of imports from the world. These percentages reflect a drop from 79% and 44%, respectively in 1964.

Despite higher absolute totals in some of the main commodity groups, as shown in table 21, Spain's imports of manufactured goods from the United States rose 85% from 1964–68, while imports from the EEC and the EFTA rose only 47% and 26%, respectively.

However, it would be misleading to assert that American exporters have and will continue to enjoy the largest share of the market. Although imports from Western Europe have not risen as rapidly as those from the United States, the competition, some of which is being provided by U.S. subsidiaries in third countries, is stiffening increasingly. This is especally true of capital equipment and consumer goods, such as home appliances.

THE EEC

As indicated in table 21, the six Common Market countries in 1968 supplied nearly three times more manufactured goods to Spain than did the United States. The most important group of merchandise was machinery and transport equipment, totaling almost one-half billion dollars. Country break-downs which follow explicitly bear out this figure.

Germany, as the leading supplier, furnished the following commodities in 1968, (in millions of U.S. dollars) : non-electric machinery, 162; electric machinery, 36; iron and steel, 39; chemicals, 30; transport equip-

Table 21.—Spain's Commodity Imports (c.i.f.) by Principal Trading Partners, 1964-68

(In millions of U.S. dollars)

Site No.	Commodity group	Year	World	World % change	United States	United States % change 1968–66	United States % of group total	EEC	EEC % change 1968–66	EFTA	EFTA % change 1968–66
0	Food and live animals	1964	319		82		26	70		14	
		1966	527		148		28	76		49	
		1968	422	+ 32	50	− 39	12	76	+ 9	27	+ 93
1	Beverages and tobacco	1964	44		15		34	2		5	
		1966	52		17		33	2		9	
		1968	64	+ 45	17	+ 13	27	3	+ 50	12	+140
2	Crude materials, inedible exc. fuels	1964	299		41		14	39		53	
		1966	559		124		22	76		75	
		1968	570	+ 90	164	+300	29	73	+ 87	75	+ 42
3	Mineral fuels, lubricants	1964	286		25		9	14		9	
		1966	345		24		7	26		5	
		1968	541	+ 89	29	+ 16	5	39	+179	6	− 33
4	Animal and vegetable oils and fats	1964	29		15		52	5		1	
		1966	33		15		45	10		3	
		1968	24	− 17	8	− 47	33	8	+ 60	2	+ 50
5	Chemicals	1964	210		31		15	123		47	
		1966	313		45		14	187		61	
		1968	369	+ 76	65	+110	18	206	+ 68	70	+ 49
6	Manufactured goods classified chiefly by material	1964	334		29		9	162		80	
		1966	591		37		6	326		129	
		1968	448	+ 34	31	+ 7	7	236	+ 46	101	+ 26
7	Machinery and transport equipment	1964	649		105		16	363		170	
		1966	1,004		181		18	575		228	
		1968	908	+ 29	205	+ 95	23	490	+ 35	187	+ 10
8	Miscellaneous manufactured articles	1964	74		10		7	34		21	
		1966	149		20		13	68		43	
		1968	156	+108	22	+120	14	69	+103	43	
	Sub-total categories 0–4	1964	977		178		18	130		82	
		1966	1,516		328		22	190		141	
		1968	1,621		268	+ 50	17	199	+ 53	122	+ 51
	Sub-total categories 5–8—manufactured goods	1964	1,267		175		14	682		318	
		1966	2,057		283		14	1,156		461	
		1968	1,881	+ 49	323	+ 85	17	1,001	+ 47	401	+ 26
	Totals	1964	2,244		353		16	812		400	
		1966	3,572		609		17	1,345		602	
		1968	3,502	+ 56	590	+ 67	17	1,198	+ 48	522	+ 30

Sources: *Trade by Commodities, Series "B," 1964* and *1968*, OECD, Paris, 1968.

An American visitor looks over an electronic data processing facility in Spain. More than $28 million worth of such equipment was bought by the Spanish in 1969 from foreign manufacturers.

ment, 23; plastics, 16; professional and scientific-technical instruments, 16; non-ferrous metals, 10; and coal, 8. German heavy industrial machinery is very much in evidence in plants in Spain.

France's principal shipments (in millions of U.S. dollars) to Spain in 1968 were as follows: non-electric machinery, 68; chemicals, 32; cereals and preparations, 28; iron and steel, 24; electric machinery, 21; transport equipment, 17; textile yarn and fabrics, 8; metal manufactures, 5.

Italy's principal shipments (in millions of U.S. dollars) to Spain in 1968 were: non-electric machinery, 84; iron and steel, 16; electric machinery, 14; transport equipment, 13; chemicals, 11; textile fibers, 9; plastics, 7; textile yarn, fabrics and made-up articles, 6.

THE EFTA

The United Kingdom's shipments in 1968 consisted primarily of the following (in millions of U.S. dollars): non-electric machinery, 65; iron and steel, 24; electric machinery, 22; transport equipment, 20; chemicals, 13; metalliferous ores and scrap, 10; professional, scientific-technical instruments, 10; non-ferrous metals, 9; textile fibers, 8; textile yarns, fabrics and made-up articles, 7.

Switzerland's principal exports (in millions of U.S. dollars) were: non-electric machinery, 21; professional and scientific-technical instruments, 17; chemicals, 9; electric machinery, 7; textile yarn, fabrics, 7.

Sweden's principal exports in 1968 were (in millions of U.S. dollars): non-electric machinery, 24; electric machinery, 6; iron and steel, 6.

Tables 23 through 26 indicate in more detail Spain's principal imports of specific manufactured goods.

CREDIT TERMS

The reasons often given by Spanish businessmen for not buying American equipment or goods are price and credit terms. It is impossible to generalize on payment terms extended by foreign suppliers in Spain, since these vary from country to country and among firms of the same industry. Since Spain's liquid reserves of foreign currency in recent years have stood between $250 and $400 million, Spanish importers often encounter difficulty in obtaining approval of a license and/or an import declaration because of the foreign exchange situation. Credit terms are therefore of paramount importance in exporting to Spain, and U.S. firms should avail themselves, where possible, of

Table 22.—Spain's Major Trading Partners, 1964-68

(In millions of U.S. dollars)

IMPORTS (c.i.f.)

Country	1964	1965	1966	1967	1968
Total	2,244	3,004	3,572	3,470	3,502
OECD	1,627	2,248	2,672	2,520	2,441
United States	353	527	609	585	590
European Economic Community	812	1,124	1,345	1,287	1,198
Germany	313	423	527	484	458
France	277	327	397	399	340
Italy	117	182	221	228	221
Netherlands	63	114	116	107	109
Belgium-Luxembourg	41	78	84	69	70
EFTA	400	507	602	552	522
United Kingdom	215	275	335	300	276
Switzerland	58	73	83	89	85
Sweden	60	75	91	82	87
Denmark	22	34	31	28	.....
Norway	15	17	24	21	19
Finland	.....	.....	20	22	18
Portugal	19	18	18	15	15
Austria	12	15	20	17	14
Canada	24	37	46	39	54
Japan	20	32	35	34	42
Eastern Europe	30	69	47	62	69
Latin America	206	266	336	348	344
Argentina	23	58	114	127	86
Cuba	66	31	38	38	41
Venezuela	37	39	36	48	50
Africa	123	138	162	171	223
Libya	33	36	43	57	110
Morocco	22	33	26	20	19
Nigeria	5	11	4	15	16
Middle East	162	175	219	242	299
Saudi Arabia	71	94	120	141	172
Iraq	47	32	43	48	58
Kuwait	20	25	30	26	36
Far East	51	51	57	52	54
Malaysia	18	18	20	17	19

Source: OECD, *Foreign Trade Statistics Series A, B, C,* 1964-68.

Table 23.—Spain's Principal Imports, Machinery and Transport Equipment, 1966-68

(In millions of U.S. dollars)

	1966	1967	1968
Total	1,004	1,001	908
EEC	575	559	490
United States	181	210	205
EFTA	228	206	187
Power generating machinery, non-electrical	90	86	75
United States	38	47	34
EEC	38	26	29
EFTA	14	13	12
Agricultural machinery and implements	36	40	49
EEC	23	29	36
EFTA	9	9	10
United States	3	2	2
Office machines	47	56	54
EEC	28	34	29
United States	10	9	12
EFTA	7	12	11
Metalworking machinery	66	48	48
EEC	40	34	27
United States	17	5	11
EFTA	7	8	9
Textile machinery	35	47	36
EEC	21	31	25
EFTA	11	12	9
United States	3	2	2
Construction and mining machinery	62	61	53
EEC	28	26	22
EFTA	16	16	16
United States	19	18	15
Heating and cooling equipment	60	50	42
EEC	37	26	27
United States	12	12	8
EFTA	10	11	7
Pumps and centrifuges	48	47	44
EEC	26	25	24
EFTA	12	13	11
United States	9	9	8
Mechanical handling equipment	38	32	26
EEC	21	20	15
United States	8	4	6
EFTA	9	7	5
Electric power machinery and switchgear	72	59	56
EEC	38	34	31
EFTA	18	14	15
United States	17	11	9
Telecommunications apparatus	43	36	30
EEC	22	16	13
EFTA	11	10	7
United States	6	6	4
Thermionic, valves, tubes, phoceus, transistors	14	12	12
EEC	9	7	6
EFTA	4	3	3
United States	2	1	2
Electrical measuring and controlling instruments and apparatus	16	16	17
EEC	8	7	7
United States	4	4	5
EFTA	4	4	4
Railway vehicles	17	13	10
EEC	14	11	8
EFTA	1	2	2
Road motor vehicles	81	79	65
EEC	49	53	43
EFTA	20	18	18
United States	10	8	4
Aircraft	5	69	72
United States	3	39	57
EEC	2	27	8
Canada	.....	.....	6
Ships and boats	10	10	9
United States	4	3	3
EFTA	4	4	3
EEC	1	2	2
Aircraft engines	4	6	8
United States	3	5	7
EFTA	0.6	0.4	1

Source: OECD, *Commodity Trade, 1966, 1968, Series "B."*

export credit and other facilities offered in the United States. Further information on this topic may be found in Chapter 5 under "Selling Channels."

British exporters, for example, can obtain export credits of up to 5 years for light and intermediate industrial products, but may in certain instances be authorized credits exceeding that duration if a foreign competitor is offering more liberal terms. Financing of up to 7 years is available for major projects and expensive equipment. The importer must usually effect a 20% downpayment to the supplier, and the remaining 80% is paid to the British exporters from a loan made by a financial institution and guaranteed by the Export Credit Department for 100% of capital and interest against non-payment, for any reason whatsoever.

French exporters may obtain short-term credits of up to 6 months for 100% of the transaction; for financing up to 3 years, a 90% credit is usually available, but primarily for capital equipment. Medium-term credits of up to 5 years may also be financed up to 90%. Long-term credits rarely exceed 10 years, and the rate charged is usually higher than for medium-term credits.

U.S. SUBSIDIARIES

Subsidiaries of major U.S. corporations in Spain,[1] the Common Market, and EFTA countries offer growing competition to U.S. suppliers shipping directly from the United States. These subsidiaries are able to offer a wide range of products, similar to those produced in the United States, at considerably lower prices because of lower transportation costs and, in many instances, lower production costs.

[1] A list of American firms operating in Spain may be obtained from the nearest Field Office or from the Commercial Intelligence Division, OITP/BIC-924, U.S. Department of Commerce, Washington, D.C. 20230.

Table 24.—Spain's Principal Imports of Chemicals, 1966-68

(In millions of U.S. dollars)

	1966	1967	1968
Total	313	320	369
EEC	187	182	206
EFTA	61	63	70
United States	45	51	65
Organic chemicals	88	103	119
United States	16	20	24
EEC	55	60	67
EFTA	14	18	21
Inorganic chemicals	27	25	27
United States	3	2	2
EEC	14	13	13
EFTA	3	2	2
Pigments, paints, varnishes	7	7	8
EEC	4	4	5
EFTA	2	2	2
United States	0.9	1	1
Medicinal and pharmaceutical products	24	31	39
EEC	13	14	18
EFTA	6	9	10
United States	4	6	8
Fertilizers, manufactured	29	19	26
EEC	20	15	18
United States	0.6	0.9	4
EFTA	8	2	3
Plastic materials, regenerated cellulose and artificial resins	64	55	59
EEC	40	36	40
United States	13	9	10
EFTA	8	7	7
Chemical materials and products, n.e.s.	37	42	49
EEC	22	20	22
EFTA	7	11	12
United States	6	9	12
Synthetic organic dyestuffs	11	10	13
EEC	5	5	6
EFTA	5	5	6
Essential oils, perfume and flavor materials	7	8	9
EEC	4	5	5
EFTA	2	2	2
United States	0.5	0.9	1
Soaps, cleansing and polishing preps	5	5	6
EEC	2	2	3
EFTA	2	2	2
United States	0.7	0.7	1

Source: OECD, *Commodity Trade, Series "B," 1966, 1968.*

There are U.S. subsidiaries in Spain in nearly all phases of the economy, from mining and mineral prospecting to the services sector. A breakdown of U.S. investment by chief sectors in Spain may be found in the following chapter, "Basic Data." More and more Spanish firms are operating under license from U.S. firms to produce and market products utilizing American technology, management, and marketing techniques. U.S. subsidiaries in Spain occasionally apply for and are granted tariff protection by Spain.

As further industrialization takes place, demand for imports will continue to change. Traditional import lines will continue to be replaced by domestic manufacture, while import demand for other goods will substantially increase. Spain's economy is progressing and changing very rapidly, and foreign trade patterns and trading partners are also likely to evolve in the future.

CHAPTER IV

Basic Data on the Economy

GEOGRAPHY

Spain is divided into 50 Provinces, including the Balearic and Canary Islands. Its total area of 196,607 square miles is one-fourth greater than that of California and about one-third less than that of Texas. Located on the Iberian peninsula, between the latitudes of 36° and 44° north, it is bounded on the west by Portugal and the Atlantic Ocean, on the north by the Bay of Biscay and by France, and on the east and south by the Mediterranean Sea. At the southernmost tip of the peninsula, guarding the entrance to the Mediterranean from the Atlantic, is the British fortified station of Gibraltar.

The Pyrenees, some 421 miles long from the Bay of Biscay to the Mediterranean Sea, separate Spain from France. The Spanish-Portuguese border is about 613 miles in length and is not marked by any great geographical barriers. The Mediterranean coastline is approximately 1,033 miles long; the Atlantic coastline, roughly 422 miles in length.

Peninsular Spain may be divided into the following geographical areas:

- The northern coastal belt, a mountainous region with fertile valleys and large areas of country under pasture or covered with forests. Industrially, this region compares with Catalonia in importance as it contains the principal coal and iron ore deposits of the peninsula. It is the main center of iron and steel production and heavy engineering, and accounts for over half of the paper production. It is also the most important fishing area in Spain.
- The central plateau, comprising New Castile and Old Castile. These tablelands are approximately 2,200 feet in mean elevation. Much of the area is devoted to pasture for sheep and goats, but the fertile districts comprise the chief wheat-producing region of Spain.
- Andalucia, covering the whole of southern and southwestern Spain. Apart from the flat plain of the River Guadalquivir, most of this region is mountainous with deep, rich valleys, many of which are irrigated. The principal crops are olives and olive oil, wheat and barley, oranges, cork, wine, nuts, raisins, grapes, and vegetables. The area has considerable mineral wealth, the most important minerals being copper and iron pyrites, lead, iron ore, and mercury.
- Levante, the southeastern Mediterranean coastal belt. Through irrigation the region has become one of the most agriculturally productive areas in Spain, with its oranges, lemons, fruit pulp, almonds and hazelnuts, paprika, early potatoes, rice, wine, grapes, raisins, and onions. Except for early potatoes and rice, all of the foregoing are produced for export.
- Cataluna and the Ebro Valley, the northeastern part. Irrigation is widely practiced in this area. The main crops are wheat, olives, grapes, and vegetables. Industrially, it is even more important, perhaps than the northern coastal belt, and it is the center for the Spanish textile industry. In addition tanning, engineering, printing, and the manufacture of cork, chemicals, pharmaceutical products, and plywood are also well developed.

The rest of the Spanish territory comprises the Balearic Islands, in the Mediterranean, the Canary Islands, just off the coast of northwest Africa, and Spanish, or Spanish-controlled, territories in Africa; these are Ceuta and Melilla (Spanish sovereign towns),

Spanish Sahara, and Rio Muni. Spanish Guinea (including Fernando Poo), became independent in October 1968 and is now known as the Republic of Equatorial Guinea.

Spain has six principal mountain ranges, with elevations up to 11,420 feet. The five chief rivers are the Ebro, Duero, Tagus, Guadiana, and Guadalquivir.

The climate varies considerably according to region. The northern coastal regions are damp and cool; precipitation in the central regions is limited; and the southern and eastern districts are so warm and dry that irrigation is necessary. Central, south, and eastern Spain enjoy a mean daily temperature of about 68°F. for approximately 4 months and above 50°F. for the rest of the year.

POPULATION

The total population of peninsular Spain, the Balearic and Canary Islands was 32.7 million at the end of 1967. Density was about 166 persons per square mile. The average size of Spanish families is about 4.4 persons.

Over the past 5 years, Spain's birth and death rates have hardly changed. Birth rates remained around 21.5 per thousand, and the death rate at around 8.5 per thousand. The population rate of increase has also stayed constant at around 1.3% annually. By the end of 1970, the population is expected to reach about 33.1 million.

Infant mortality is dropping steadily, and was around 28.2 per thousand in 1965 among infants under

Table 25.—Spain's Principal Imports, Manufactured Goods Classified Chiefly by Material, 1966-68

(In millions of U.S. dollars)

	1966	1967	1968
Total	591	500	448
EEC	326	268	236
EFTA	129	110	101
United States	37	38	31
Articles of rubber, n.e.c.	6	6	7
EEC	4	4	4
EFTA	1	1	2
United States	0.7	0.8	1
Paper an dpaperboard	34	34	32
EEC	11	10	12
EFTA	11	8	10
United States	4	5	6
Articles made of paper, pulp and paperboard	3	3	5
EEC	1	2	2
EFTA	0.8	1	2
United States	0.5	0.6	0.9
Textile yarn and thread	32	25	22
EEC	22	19	15
EFTA	7	5	6
United States	3	0.9	0.9
Textile fabrics, woven, not cotton	13	16	13
EEC	8	9	7
EFTA	3	4	4
United States	2	2	1
Special textile fabrics	9	7	8
EEC	3	3	3
EFTA	5	3	3
United States	0.2	0.2	0.3
Lime, cement and fabricated building materials	24	14	6
EEC	7	6	5
Eastern Europe	10	4	0.1
EFTA	3	2	1
Clay construction materials and refractory construction materials	13	10	4
EEC	8	5	3
EFTA	3	2	0.8
United States	1	2	0.2
Mineral manufactures, n.e.s	12	10	10
EEC	6	6	6
EFTA	4	3	3
United States	1	0.8	0.7
Glass	9	8	8
EEC	7	6	7
United States	0.7	0.7	0.5
EFTA	1	0.8	0.4
Glassware	6	7	7
EEC	5	6	5
EFTA	0.7	0.7	0.8
United States	0.3	0.4	0.3
Pig iron	7	4	6
EEC	3	2	2
Japan	(1)	0.9	1
EFTA	2	0.5	0.5
Ingots and other primary steel shapes	97	61	53
EEC	65	41	28
EFTA	10	5	9
Eastern Europe	1	4	6
United States	4	3	3
Iron and steel bars, rods, etc	20	19	15
EEC	14	13	8
EFTA	5	5	4
Eastern Europe	0.5	0.3	0.8
United States	—	0.3	0.4
Universals, plates and sheets of iron or steel	67	76	52
EEC	45	47	34
EFTA	19	24	14
Japan	—	0.5	2
Tubes pipes and fittings of iron steel	23	15	16
EEC	16	9	11
EFTA	4	4	4
United States	3	1	1
Copper	75	58	61
EEC	31	18	21
South Africa	5	7	1
Developing countries	19	21	21
Aluminum	24	19	17
EEC	10	8	6
Canada	7	5	4
EFTA	6	4	3
Tools for use in hand or machines	12	10	9
EEC	6	5	5
EFTA	4	3	3
United States	1	1	1

Source: OECD, *Commodity Trade, Series "B," 1966, 1968.*

Table 26.—Spain's Principal Imports, Miscellaneous Manufactured Articles, 1966-68

(In millions of U.S. dollars)

	1966	1967	1968
Total	149	159	156
EEC	68	72	69
EFTA	43	41	43
United States	20	24	22
Sanitary, plumbing, heating and lighting fixtures	11	10	7
EEC	8	7	6
United States	0.8	1	0.8
EFTA	1	0.8	0.8
Furniture	5	6	6
EEC	3	4	4
EFTA	1	1	1
United States	0.2	0.4	0.6
Clothing, except fur	10	14	11
EEC	6	8	6
EFTA	3	3	3
United States	0.5	0.7	0.6
Scientific, medical, optical, measuring and control instruments and apparatus	47	47	45
EEC	22	21	20
EFTA	12	12	11
United States	7	7	7
Photographic and cinematographic supplies	10	13	12
United States	6	8	7
EEC	4	4	4
EFTA	0.5	0.7	0.9
Watches and clocks	20	18	21
EFTA	16	14	15
EEC	4	4	5
Musical instruments, sound recorders and parts therefor	6	7	9
EEC	3	4	4
United States	1	1	2
EFTA	1	1	1
Printed matter	12	15	15
EEC	5	7	7
EFTA	2	3	3
United States	1	2	2

Source: OECD, *Commodity Trade, Series "B," 1966, 1968.*

1 year of age. The number of elderly persons is also increasing. Men and women over the age of 65 accounted for 7 and 9.4% respectively of the population in 1967. Table 27 shows the breakdown of the population by age groups in 1965.

The 1968 population of Spain's principal cities was as follows (in thousands): Madrid, 2,950; Barcelona, 1,740; Valencia, 614; Seville, 610; Zaragoza, 430; Malaga, 341; and Bilbao, 393.

CULTURE

Until the Reconquest in 1492, when the Moors were driven out of Spain, the Iberian peninsula was a battleground of invasion and resistance. The Phoenicians, Greeks, Carthaginians and Romans all occupied portions of the territory. The present Spanish language, religion, and law all stem from the Roman invasion.

Spain was the leading European power from 1492 until 1588 when England defeated the Spanish Armada. For another century, Spain retained a strong position on the Continent, but after 1700, much of its wealth, manpower, and resources were dissipated. The French ruled Spain from 1808 to 1814, and a Spanish king was restored to the throne at that time. His death and the ensuing contest led to a series of civil wars. The last King of Spain was Alfonso XIII, who fled the country in 1931 when the Second Republic was established. During the latter years of the Republic, there was widespread strife which culminated in the outbreak of a brutal civil war in July 1936.

Spain is 98% Roman Catholic. Its culture and social outlook historically have been heavily influenced by Catholicism, the country's official religion. Since early 1967, a new law has granted religious liberty to non-Catholics.

Almost every locality has an annual fiesta, often in connection with the veneration of a saint, when normal commercial activities are interrupted.

The national holidays, on which all businesses are closed are: January 1, New Year's Day; January 6, Epiphany: March 19, St. Joseph's Day; April 1, Victory Day; Maundy Thursday* and Good Friday*; May 1, Labor Day; Ascension Day*: Corpus Cristi*; June 29, SS Peter and Paul; July 18, National Day; July 25, St. James Day; August 15, Assumption; October 1, Day of the Caudillo; October 12, Columbus Day; November 1, All Saints Day; December 8, Immaculate Conception; December 25, Christmas. (*denotes movable feast day).

Spanish (Castilian) is the national language and is understood by virtually everyone in Spain. Other languages used regionally are: Catalan in the northeast province of Cataluna; Galician in the northwest, and Euskera, the unique language of the Basques in the north.

EDUCATION

Spain is now 98% literate, due in large part to the Government's efforts over the last 5 years. School at-

Table 27.—Spain: Population by Age Group, Dec. 31, 1965

(In thousands)

Age group	Men	Percent	Women	Percent
15–24 years	2,179.6	22.5	2,340.2	22.2
25–34 years	1,847.2	19.0	2,057.0	19.5
35–44 years	2,265.3	23.4	2,307.0	21.9
45–54 years	1,781.9	18.4	2,005.0	19.0
55–64 years	1,606.3	16.7	1,789.7	17.4

Source: *Spanish Statistical Annual,* 1968.

tendance is now compulsory from the age of 6 up to and including 14. There are approximately 94 universities and technical schools, 3,050 secondary establishments, and 67,600 primary schools.

During the 1967–68 school year, total school population reached about 5.6 million students, distributed as follows:

(In thousands)

Primary education	4,179
Secondary education	1,559
of which—	
General	1,164
Technical schools	69
Commercial schools	32
Higher education	157
of which—	
Universities	115
Technical schools	38

Education has been designated as a priority sector under the Second Economic and Social Development Plan (1969–72), with total projected public spending of $7.9 billion. The plan aims to increase the number of classrooms at all educational levels, build new technical schools, and provide added facilities and personnel for research in universities.

The Spanish educational system is becoming very modern; audio-visual aids such as television, slide projectors, and tape recorders are increasingly used. The Ministry of Education estimates that 40,000 TV sets are needed for schools in Spain. In March 1968, there were about 3,500 sets in use.

HEALTH

At the end of 1967 there were about 157,000 beds in some 1,650 hospitals and clinics throughout Spain. At the end of 1967, there were about 93,000 professional medical personnel, of which about 45% were doctors, 15%, pharmacists, and 3.5% dentists.

Spain now has the fifth lowest mortality rate in the world. Listed in order of incidence, the principal causes of death in Spain are: cancer, heart disease, tuberculosis, pneumonia and grippe. The Government's energetic public health program is resulting in longer life expectancy. Elimination of diseases such as malaria and tuberculosis are basic objectives, and typhoid has been eradicated. The fight against tuberculosis involves the vaccination of infants and school age children.

STANDARD OF LIVING

The rapid pace of development of the economy from 1962 to 1966 has contributed to a better standard of living. From 1961 to 1966, workers' wages more than doubled, increasing by an average of 15% annually, while the cost of living rose by 8.1% annually. Real wages rose less than 7% in that period; as a result the increase in private consumption fell from 9% in 1965 to 3.1% in 1967.

In 1968, national per capita income was about $760 (current prices) vs. $1,400 in Italy and $2,500 in France. This rise in purchasing power has created a strong demand for consumer durables (autos, refrigerators) and there has been a switch to higher quality foodstuffs and other non durables. This has been true of the population in urban centers, as wages in rural areas have lagged noticeably.

Thus, the living standard has improved considerably as a result of increases in purchasing power and shifts in the distribution of income. Table 28 shows average consumption of basic products.

Government

The Spanish Civil War (1936–39) brought Francisco Franco to power in Spain. He is Chief of State for life, Commander in Chief of the Armed Forces, Prime Minister, and head of the National Movement—the Falange Party. Spain is a kingdom, by law since 1947, although no king has been placed on the throne. General Franco exercises absolute power in the direction of the country and the appointment of public officials. Although the Law of Succession calls for selection of a successor to the Chief of State, by the Council of the Regency, it also permits General Franco to appoint his successor. In July 1969, General Franco appointed Prince Juan Carlos, the son of the pretender Don Juan, as his eventual successor.

A Cabinet having 18 ministers and representing all Government departments acts as the principal advisory body to the Chief of State. The legislative body, or Cortes, has over 500 members; many are appointed by the Chief of State or are members by virtue of their positions (mayors). The labor unions also elect their

Table 28.—Spain: Indicators, Standard of Living

Food Consumption (Per inhabitant)	1963 (Base Year)	1967
Citrus (kg.)	13.5	25.8
Eggs (doz.)	15.3	16.3
Fish (kg.)	16.8	19.9
Meat (kg.)	26.3	32.3
Milk (liters)	64.1	66.8
Sugar (bg.)	20.4	24.5
Durables (Per 1,000 inhabitants)		
Cars (units)	17.0	41.0
Telephones (units)	72.7	102.3
TV sets (units)	10.1	17.2
Washing machines	7.3	9.1

Source: Central Planning Commission, 1967 Annual Report.

Sales of consumer goods such as these electrical appliances are on the rise, especialy in Spain's urban centers.

representatives and constitute an important segment. As of 1966, heads of families elect 104 members to the Cortes, two from each of Spain's 52 provinces. The Cortes does not initiate legislation, but ratifies bills formulated by the Cabinet.

Spain's court system is controlled by the Ministry of Justice and has the usual pyramidal structure. Local district courts are at the base, followed by national, provincial, territorial ones, and the Supreme Court.

Overall administration of the territory is highly centralized. Each of the provinces, which include the Canary and Balearic Islands, is headed by an appointed governor, assisted by an appointed council. The mayors of provincial capitals are also appointed.

STRUCTURE OF THE ECONOMY

There has been political stability in Spain since 1939, the longest period since the 19th century. Following the end of the Civil War, the Government was faced with a formidable task of reconstruction. The outbreak of World War II further isolated Spain and strangled her economy, and the Government was forced to impose strict controls on prices, foreign trade and payments, investment, employment, and the allocation of raw materials. Post World War II adjustment was hard since Spain did not participate in the Marshall Plan. Recovery did not begin until about 1950, and the following year a loan was secured from the United States. By 1958, inflation and falling reserves required a drastic overhaul of the economy.

Thus, in 1959–60 the Government enacted a stabilization program whose main objectives were to establish a viable currency exchange rate, curb inflation, and free the internal cost-price structure. The program was made possible with financial assistance from the IMF, to which Spain already belonged, and from the Organization for European Economic Cooperation (OEEC, now OECD), which Spain joined that year.

Spain applied for associate membership in the Common Market in 1962, with the objective of eventually becoming a full member of the Community. It is not known when Spain is expected to become a full EEC member. However, a trade agreement was negotiated in 1970.

In 1963, Spain acceded to the General Agreement on Tariffs and Trade (GATT), and participated in the 1964–67 Kennedy Round of tariff negotiations.

Until recently, Spain's economy was predominantly agricultural. With the impetus given by the 1959 Stabilization and especially by the First Economic and Social Development Plan, the economy is becoming rapidly industrialized and is achieving rapid rates of growth in the manufacturing sector; increases of 13% and 12% were recorded in 1965 and 1966, respectively. Part of the change is attributable to the injection of foreign capital and technology in certain sectors such as steel, chemicals, automobiles, tractors and electrical equipment.

National Income

Manufacturing accounted for 25% of GNP in 1968, followed by agriculture, forestry and fishing, 16.1%; wholesale and retail trade, 12.6%; and miscellaneous services, 12.3%. The most important industrial sectors are: food and tobacco, metal products and machinery, textiles, chemicals and rubber, transport equipment, footwear, leather and clothing, and furniture.

While Spain's economy expanded rapidly from 1961 to 1966, averaging an annual rate of over 8%, there was a marked deceleration in 1967 and in the early part of 1968, following the 14.3% devaluation of the peseta (November 1967). There was a pronounced acceleration of economic activity in the final months of 1968, resulting in a 4.4% real increase in GNP, a slight improvement over the 3.5% recorded the previous year.

The over-expansion of domestic demand in 1969, after 2 years of only moderate growth, resulted in an estimated 7.8% real increase in GNP; this is considera-

bly higher than the 5.5% level which the Second Development Plan fixed as compatible with wage and price stability. Detailed data on Spain's GNP are given in tables 29 and 30.

Agriculture was the most expansive of the three major sectors of the economy in 1968. The sustained expansion of industrial output in the second half of the year boosted the increase to 4.5%. Exports of manufactured goods rose 33% over 1967, due partly to the competitive gains resulting from the devaluation. The services sector continued its expansionary trend and accounted for more than 50% of GNP.

Government Role in the Economy

The Spanish Government is an active participant in many economic sectors. Besides monopolizing the postal and telecommunications systems, including radio and TV networks, it owns the railroads and the gas and the majority of electric utilities. The National Institute of Industry (INI), which was created in 1941, is a Government-owned organization which seeks to promote and finance new or existing industries; it may also obtain the total or partial expropriation of any industrial or mining enterprise or may compel such an enterprise to enlarge its capital in order that the Institute may hold a majority participation.

The INI presently embraces about 70 firms, most of which are completely owned by the State, or have a majority State participation. Total assets of these enterprises amount to some $1.7 billion, with a labor force of nearly 150,000. The INI is represented in many branches of industry, accounting for over 50% of national production in five principal sectors—aluminum, fertilizers, oil refining, cellulose, and autos, as well as over 25% of production of electric power, ships and trucks.

There have been no instances of nationalization of private enterprises since the INI was established. The Spanish Government is keenly aware of the desirability of avoiding steps which could adversely affect the confidence of foreign investors.

Since 1959, the Spanish Government has pursued a policy of economic liberalization and actively encouraged foreign investment, especially since the inception of the First Economic and Social Development Plan (1964–67). Information on Spain's foreign investment laws may be found in the U.S. Department of Commerce Overseas Business Report, "Establishing a Business in Spain," OBR 68–24.

Table 29.—Consumption and Investment of Total Available Means 1964-68

In billion (current) pesetas

	1964	1965	1966	1967	1968
GNP at market prices	1,088.0	1,287.0	1,477.4	1,632.2	1,764.0
Net borrowing and net lending from rest of world	17.0	50.6	58.7	55.1	49.2
Total available means	1,105.0	1,337.6	1,536.1	1,687.3	1,813.2
Consumption, total	837.3	999.2	1,146.3	1,306.9	1,419.8
Private	743.2	887.0	1,012.9	1,140.0	1,239.0
Government	94.1	112.2	133.4	166.9	180.8
Gross asset formation, total	267.7	338.4	389.8	380.5	393.3
Private	213.5	258.2	289.1	296.9	369.4
Government	31.3	36.5	45.7	50.0	
Variation of stocks	22.9	43.7	55.0	33.6	23.9

Percentage real change (each year)

	1964	1965	1966	1967	1968
GNP	7.0	7.7	8.1	4.2	4.4
Consumption	5.4	7.0	6.9	6.4	3.8
Private	5.2	7.0	7.4	6.4	3.8
Public	7.4	6.9	2.7	6.7	3.9
Gross asset formation	11.8	21.4	12.6	−4.1	0.0
Private	15.1	16.6	9.8	0.7	2.9
Public	20.2	9.7	20.3	8.1	
Variation of stocks	46.3	82.8	22.9	−39.4	−31.2

1964-67 US$1.00 = 60 pesetas, 1968 US$1.00 = 70 pesetas.

Source: Spanish National Accounts.

AGRICULTURE

In the past, economic growth of agriculture lagged behind the rest of the economy. This is attributed to undercapitalization, low investment levels by private owners, a defective farm structure, and rising wages accompanied by emigration of labor. Indices of agricultural output are given in table 31.

Total farm output rose over 6% in 1968, and the sector (including forestry and fishing) made up about 16% of total GNP. The sector provides employment to 27% of the labor force, vs. 40% in 1960, and contributed about 37% of total exports in 1968.

Paradoxically, natural conditions in Spain do not favor agriculture. The annual rate of insolation is extremely high, rainfall is inadequate, and wide variations in temperature exist in most sections of the country. Erosion is often severe, and only 40% of the land is cultivable.

Much of the land is held by absentee landlords, who lease plots or who have sharecropping arrangements. About 73% of the cultivated land is held in about 42 million plots averaging no more than half an hectare. During the First Development Plan, the Government strove to regroup farm plots, increased irrigated areas,

Table 30.—GNP at Factor Cost by Industrial Origin 1964-68

In billion (current) pesetas

	1964	1965	1966	1967	1968	% of total 1968	Price indicator 1964=100
Agriculture, forestry, fishing	186.7	215.5	241.0	243.5	267.8	16.1	121.3
Mining	14.2	16.2	16.9	16.7	17.6	1.1	113.3
Manufacturing	288.3	327.8	371.4	399.1	418.8	25.2	110.8
Utilities	22.0	24.9	28.3	29.6	32.6	2.0	108.0
Construction and public works	55.3	64.4	71.7	78.3	84.0	5.1	116.6
Transport and communications	62.0	74.8	85.7	97.8	111.2	6.7	126.3
Wholesale and retail trade	108.9	143.9	168.1	187.4	208.8	12.6	151.4
Banks, insurance, real estate	40.6	51.1	60.4	70.1	79.2	4.8	136.3
Ownership of dwellings	35.5	41.1	46.5	59.6	72.9	4.4	138.5
Public administration and defense	57.1	66.6	82.3	102.3	113.6	6.8	183.2
Health and educational services	27.2	32.0	37.7	45.3	50.6	3.0	144.9
Miscellaneous services	116.7	139.7	162.9	184.3	203.8	12.3	141.4
Gross domestic product at factor cost	1,014.5	1,198.3	1,372.6	1,514.0	1,661.0	100.0	128.3
Net income payments, foreign sector	−0.6	−1.1	−4.2	−5.2	−6.0	....	....
GNP at factor cost	1,013.9	1,197.3	1,368.4	1,508.8	1,655.0	99.6	128.3

Percentage Variation (*Current Prices*)

	1965	1966	1967	1968
Agriculture, forestry, fishing	15.4	11.8	1.1	10.0
Mining	14.0	4.3	0.3	6.0
Manufacturing	13.7	13.3	7.5	4.9
Utilities	13.2	13.7	4.9	9.9
Construction and public works	16.5	11.3	9.2	7.3
Transport and communications	20.6	14.6	14.1	11.0
Wholesale and retail trade	32.1	16.8	11.4	8.1
Banks, insurance, real estate	25.9	18.2	16.1	8.1
Ownership of dwellings	15.8	13.1	28.2	22.3
Public administration and defense	16.6	23.5	24.3	11.0
Health and educational services	17.6	17.8	20.2	10.9
Miscellaneous services	19.7	16.6	13.1	7.5
GDP at factor cost	18.1	11.5	10.3	8.5

1964-67, US$1.00 = 60 pesetas; 1968, US$1.00 = 70 pesetas.

and pushed up prices to producers in order to raise farm incomes.

Mechanization has been proceeding adequately, and there are upwards of 150,000 tractors in use. Considerable progress has also been made in pest control, soil conservation, and irrigation. Annual expenditures for irrigation in recent years have averaged 9-10 billion pesetas—about 70% of public investment in agriculture.

Despite these problems, total output has been rising steadily. Spain is self-sufficient in many foodstuffs, including wheat, barley, and rye. With 180 million olive trees, it is the foremost olive-producing nation in the world. It is, after France and Italy, the world's third largest producer of wine (630 million gallons in 1968) as well as the world's largest exporter of citrus fruit, mostly oranges from Valencia. Production of principal agricultural commodities is shown in table 32.

The prominence of agriculture is further evidenced by the rapid development of the food processing industry in recent years. The industry is concentrated primarily in fruits, vegetables, and fish products, all of which contribute substantially to Spain's exports. Since 1964, the Government has sought to encourage the establishment of food processing industries in the seven development centers by providing a variety of incentives. Much of the sector is composed of many small inefficient firms operating with predominantly old machinery. Principal areas where the industry is established are indicated on the economic map of Spain. (See also chapter II.)

Table 31.—Indices of Agricultural Output

Crop year	(1953–1954=100) Agriculture	Livestock	Combined index
1963/64	145	165	152
1964/65	123	166	138
1965/66	131	157	140
1966/67	141	177	154

Sources: Spanish Ministry of Agriculture; Instituto National de Estadistica.

Table 32.—Agricultural Production, 1964-68

(In thousands of metric tons unless otherwise indicated)

	1960–64 (average)	1965	1966	1967	1968
Wheat	4,120	4,715	4,876	5,598	5,477
Rye	393	349	353	309	364
Barley	1,893	1,891	2,006	2,632	3,708
Oats	459	370	442	488	522
Rice	397	350	375	367	364
Corn	[1] 1,203	1,142	1,154	1,224	1,440
Potatoes	4,604	4,078	4,423	4,197	4,431
Sugarbeets	3,532	3,678	4,042	4,287	4,500
Tomatoes	[1] 1,406	1,330	1,295	1,221	1,281
Cotton	92	81	90	65	67
Tobacco	31	34	21	30	30
Olive oil	378	324	437	273	394
Citrus fruit	1,799	2,029	2,311	2,265	1,900
Beef, veal	180	177	198	215	242
Mutton, lamb	119	134	133	134	137
Pork	286	276	376	423	450
Poultry	95	147	212	257	300
Cow's milk	3,010	3,379	3,824	4,433	4,640
Eggs	248	300	311	319	328
Fish landings	[1] 1,020	1,121	1,120	787	795
Wine (million hectoliters)	[1] 34.9	26.5	30.7	23.6	23.6

[1] 1964 only.

Sources: U.S. Department of Agriculture, *The Agricultural Situation in Western Europe* (ERS-Foreign-258), Washington, 1969; Spanish Ministry of Agriculture.

FORESTRY

Spain's output of timber is insufficient to meet domestic needs. The Government has actively pursued reforestation in recent years in order to increase lumber output, and water and soil conservation. There are about 339,000 hectares of cork oak, producing about 116,000 tons of cork products. Spain is the world's second cork producer, after Portugal. Other forestry products include resin and turpentine.

FISHING

As of 1967, Spain ranked sixth among the fishing nations of the world, based on the quantity of fish caught. Total landings in 1967 came to 1.4 million tons (metric), with an estimated value of $250 million.

The Spanish fishing fleet consists of 1,325 ocean-going vessels, and 129 trawlers and cod fishing ships having a gross register of 258,000 tons. The coastal fleet comprises 11,450 vessels, totaling 196,000 tons.

Since 1961, the Government has undertaken to renovate the fishing fleet with freezer vessels—of which there were 125 in 1968—and new boats designed for stern dragging operations.

The canned fish industry is located in the four northwest provinces that form the area of Galicia, with the more important packers operating in and around the city of Vigo. In 1968, canned fish exports grew to $18 million, a record 27% increase over 1967, representing one-third of total production, which reached $54 million.

MINERAL RESOURCES

At the end of the 19th century, Spain was the leading European producer of lead, copper, mercury, and iron ore. By 1930, mining was the country's principal industrial activity, representing about 10% of GNP. Although the industry benefited from strong external demand in the early fifties, it has suffered from severe competition in the commodity markets and, as a result, many small and unprofitable mines have disappeared. The degree of concentration in the industry is insufficient except for zinc, mercury, and iron pyrites. As a

Table 33.—SPAIN: Livestock Census (Sample Basis), 1963 through 1968

	1963	1964	1965	1966	1967	1963–67 Average	1968	Percent increase or decrease over 1963–67
				In thousands				
Cattle	3,671	3,723	3,697	3,694	3,844	3,726	4,000	+ 7.3
Sheep	16,032	15,086	20,327	18,785	18,716	17,789	18,642	+ 4.7
Goats	2,336	2,284	2,383	2,309	2,649	2,392	2,626	+ 9.7
Hogs	6,055	5,011	4,016	4,681	5,460	5,045	5,662	+12.2
Horses	397	345	323	305	320	338	316	− 6.6
Poultry	40,973	35,211	34,670	39,186	44,407	38,889	47,662	+22.5
Donkeys	726	538	493	441	465	533	458	−14.1
Mules	1,044	844	786	693	737	821	686	−16.5

Source: Spanish Ministry of Agriculture.

result, production costs are excessively high and the industry is geographically scattered. (See Industrial Activity map.)

Spain remains the leading producer of mercury, with 60% of world output. The country's mineral wealth is only minimally exploited, and it is estimated by the Spanish Ministry of Industry that the value of reserves totals over $16 billion.

Petroleum was first struck in Spain in 1964 in the province of Burgos. Production capacity is about 1 million tons, and reserves are estimated at 20 million tons. In 1968, Spain imported 27 million tons of crude petroleum, most of which was consumed by local refineries (seven at the end of 1968).

Spain's refining capacity remained unchanged in 1968, after a spectacular increase the year before. Two of the largest refineries—Repesa and Petroliber—will increase their capacities in 1969 to 8 and 4 million tons, respectively. Another new refinery at Bilbao has been authorized and should go on stream in 1971. By the end of 1969, Spanish refining capacity should reach 35 million tons per year.

Increased exploration of mineral deposits led to the discovery early in 1967 of a 500-million-ton deposit of iron ore in the Southwest (Huelva-Sentla-Badajoz). Since many mines have closed down in recent years the steel industry has required considerable imports of ore.

Extensive reserves of iron pyrites exist, principally in Huelva. Lead is mined primarily in Jaen, and potash salts in the province of Barcelona. The mercury deposits in the Almaden mines are the richest in the world.

Uranium deposits also exist in Jaen and Lerida provinces and concentration plants now exist close to these mines. Much of this ore is enriched in the United States for use in nuclear power reactors. Spanish production of minerals is included in table 34.

Table 34.—Production of Principal Minerals, 1964-68

(Thousands of metric tons unless otherwise indicated)

	1964	1965	1966	1967	1968
Anthracite	2,680	2,775	2,775	2,800	2,800
Bituminous coal	9,505	10,168	10,100	9,700	9,450
Lignite	2,604	2,773	2,631	2,630	2,900
Iron ore	5,100	5,700	4,900	5,200	6,200
Lead ore	87	84	94	63	70
Mercury—flasks	......	......	67,000	49,000	57,210
Iron pyrites	2,300	2,400	2,600	2,400	2,400
Fluorspar	N.A.	N.A.	222	224	N.A.
Potash (K_2O content)	293	352	......	......	......
Salt, rock	733	795	1,800	1,600	N.A.

:N.A.—Not Available.

Source: Spanish Ministry of Industry.

MANUFACTURING

Spain's industry was largely reorganized after the Civil War with the INI taking dominant control in many sectors. Although industrial production rose during the fifties, a large percentage of investment was channeled to the State sector, and private firms had difficulty modernizing and improving their structure.

Since the 1959 liberalization, competition and investment by foreign firms, with injections of capital and technology, have enabled many Spanish companies to modernize and expand their plants.

Manufacturing output has risen 45% from 1964 to 1968. In that year, manufacturing accounted to about 71% of all industrial-construction output, with about 3.43 million persons employed in the whole sector. The production of Spain's important industries is shown in table 35.

In the next 5 years, the manufacturing sector can be expected to absorb increasing investment and labor and gradually contribute a larger share of total industrial output. Growth in this sector will probably be more rapid than for the whole economy.

Transportation and Communications

The network of the Spanish National Railways (RENFE) is comprised of 13,400 km. of line on wide-gage (5′6″) track which reaches all parts of the country. The system connects with Portugal and with five points on the French border. The Government is proceeding with an extensive modernization program. Investments during the First Development Plan totaled nearly $395 million, devoted to new equipment, track and road construction, and electrification of present lines.

Freight trains are operated at uniform speed and control has been improved by more efficient communications and car utilization. A computer center in Madrid, which became operational in 1968, controls all railroad cars. Rail traffic increased 11% in 1967 from the previous year to 9,168 million ton-kilometers, while passenger traffic fell slightly to 12,523 million passenger-kilometers.

Highways

Spain's 82,000 miles of highways radiate from Madrid to all sections of the country. Two highways at the east and west end of the Pyrenees connect Spain and France, while there is one principal highway linking Spain and Portugal. These principal roads now handle an increasing volume of truck traffic, and international

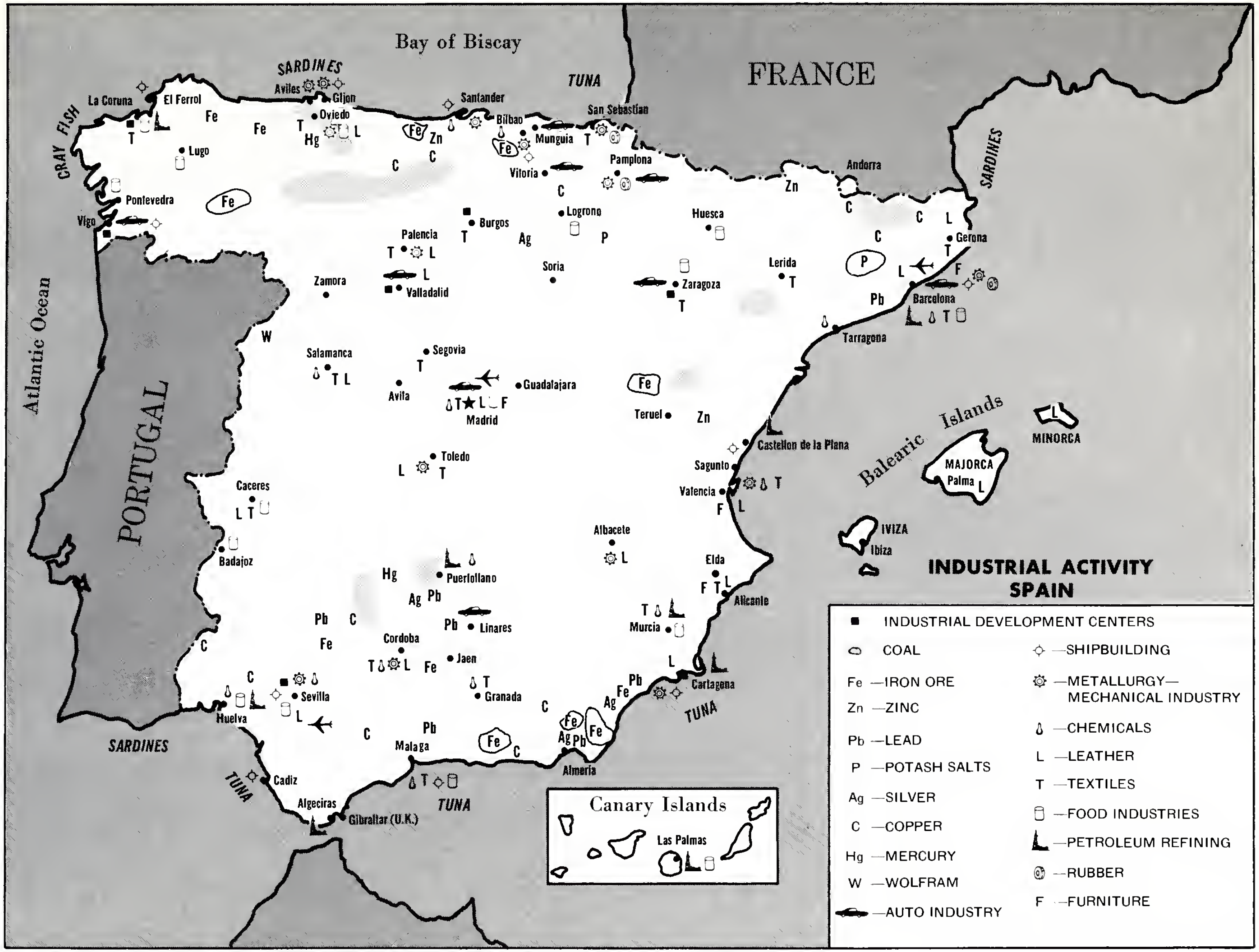

INDUSTRIAL ACTIVITY
SPAIN
Bay of Biscay
FRANCE
PORTUGAL
Atlantic Ocean
Balearic Islands
MAJORCA
Palma
MINORCA
IVIZA
Ibiza
Canary Islands
Las Palmas
SARDINES
TUNA
CRAY FISH
La Coruna
El Ferrol
Lugo
Pontevedra
Vigo
Aviles
Gijon
Oviedo
Santander
Bilbao
Munguia
San Sebastian
Vitoria
Pamplona
Logrono
Andorra
Huesca
Gerona
Burgos
Palencia
Valladolid
Zamora
Soria
Zaragoza
Lerida
Barcelona
Tarragona
Salamanca
Segovia
Avila
Guadalajara
Madrid
Teruel
Castellon de la Plana
Sagunto
Valencia
Toledo
Caceres
Badajoz
Albacete
Elda
Alicante
Puertollano
Linares
Murcia
Cordoba
Jaen
Granada
Sevilla
Huelva
Cartagena
Almeria
Malaga
Cadiz
Algeciras
Gibraltar (U.K.)
INDUSTRIAL DEVELOPMENT CENTERS
COAL
Fe —IRON ORE
Zn —ZINC
Pb —LEAD
P —POTASH SALTS
Ag —SILVER
C —COPPER
Hg —MERCURY
W —WOLFRAM
—AUTO INDUSTRY
—SHIPBUILDING
—METALLURGY—
MECHANICAL INDUSTRY
—CHEMICALS
L —LEATHER
T —TEXTILES
—FOOD INDUSTRIES
—PETROLEUM REFINING
—RUBBER
F —FURNITURE

Table 35.—Spain's Industrial Production, 1964-68

(In thousands unless indicated)

	1964	1966	1967	1968
Steel (metric tons)	3,200	3,847	4,512	5,058
Copper (metric tons)	57	62	68	125
Lead (metric tons)	58	56	52	64
Aluminum (metric tons)	50	65	81	78
Sulfuric acid (metric tons)	1,700	1,700	1,885	2,069
Cement (metric tons)	8,100	11,800	13,300	14,600
Refrigerators	295	295	229	206
Washing machines	320	355	300	389
Radio sets	576	397	277	308
TV sets	439	570	551	677
Passenger cars	120	248	274	307
Trucks	60	91	89	....
Tractors	13	17	19	21
Automobile tires	1,824	3,111	....	3,865
Merchant shipping (tons launched)	220	343	390	....
Electric power (billion kwh)	29.5	37.7	40.6	45.2
Gas (million m³)	400.7	464.2	....	632.6

Sources: Spanish Ministry of Industry, *Anuario Estadistico*, and *Boletin Mensual de Estadistica*.

standard dual highways are contemplated under the national highway construction program. It comprises a 5-year, $286 million REDIA Plan, to improve and modernize Spain's major highways, (having a total length of nearly 5,000 km), and the 12-year, $2.6 billion toll-highway plan, which is expected to provide 3,000 km. of privately-financed toll roads, most of which will be the main highways connecting principal cities and the heavy traffic routes to the borders. A large part of the construction will be open to foreign bidding, and should be of interest to U.S. firms.

Inland Waterways

There is little inland water navigation because of the variance of water levels throughout the seasons. Huelva, on the southwestern coast, which serves as Sevilla's port, is soon to be linked to that city with a canal. On the Mediterranean side, the Ebro is navigable by small river craft as far as Logrono and by small steamers as far as Tortosa. The Imperial Canal, about 60 miles long, parallels the Ebro near Zaragoza, but can be used only by small barges of less than 100-ton capacity.

Ports

Spain's coastlines, including those of the Balearic and Canary Islands, are dotted with over 300 ports. Of these, 27 are relatively large, but about 85% of harbor cargo is handled by the 17 largest ports. A total 120 million tons of cargo was handled in Spanish ports in 1968. Barcelona and Bilbao are the principal ports, each handling about 7 million tons of cargo annually, and, together with Cadiz, and Gijon are capable of handling container traffic.

Cartagena is scheduled to become a free port soon. Other free ports are located at Las Palmas and Santa Cruz de Tenerife in the Canary Islands, and the African enclaves of Ceuta and Melilla. Free zones have been established in Barcelona, Cadiz and Vigo. Additional information on free ports and zones may be found in OBR 68–85, "Foreign Trade Regulations of Spain".

The Government has moved to develop and modernize ports under the First Development Plan, with a total of $178 million being invested in such projects. As part of future modernization, it is expected that the larger ports will handle an increasing volume of container traffic.

Shipping

At the end of 1967, nearly 20% of the Spanish merchant fleet was more than 25 years old, and it totaled 2.2 million d.w.t. In 1967, 46 new ships of all types were put in service, including nine refrigerator ships. About 41 million tons of cargo were transported by Spanish flag vessels. Spanish shipping companies maintain service to and from North and South America, the West Indies, and many Mediterranean and north European ports. A list of U.S. steamship companies serving Spain may be found at the end of this publication.

The Second Development Plan will seek to increase the number of Spanish flag ships in order to reduce foreign exchange expenditures for the transport of the country's exports and imports.

Airways

Spain has airports in the majority of its cities. Both of the U.S. overseas airlines—Pan Am and TWA—serve Spain, stopping only at Barcelona and Madrid. Iberia, the Spanish National Airline, with service to most cities in Spain, flies to 25 countries, including the United States, and possesses a modern fleet of jet aircraft. International air cargo service is available to Madrid and Barcelona from the United States as well as from most European capitals and cities.

In 1967, the country's principal airlines logged a total of nearly 1 billion passenger-kilometers on domestic flights, while the total was 1.34 million passenger-kilometers for international flights. Air traffic in both passengers and cargo can be expected to increase in coming years.

Communications

The State-owned Compania Telefonica de Espana operates telephone service in all parts of the country as well as in the Balearic and Canary Islands. Late in March 1969, there were a total of 10,700 telephone exchanges installed in Spain, with about 3.9 million instruments in use.

Under the Development Plan, the company plans to invest roughly $850 million to extend automatization of the system's central exchanges and install additional cable long-lines and radio communications. The transatlantic TAT–5 cable (United States to Spain) and the trans-Mediterranean (Spain to Italy) cable will be laid.

The State owns and administers its own national telegraph system in conjunction with the post office system. The Oficina de Correos y Telecommunicaciones plans to invest around $30 million through 1971 to purchase telex equipment.

Radio and television broadcasting is under Government supervision. The Spanish Television Network—TVE—has 12 transmitters on the mainland, plus one each in Melilla, Mallorca, and the Canary Islands. Radio wave transmitters also link Spanish Sahara and the new Republic of Equatorial Guinea.

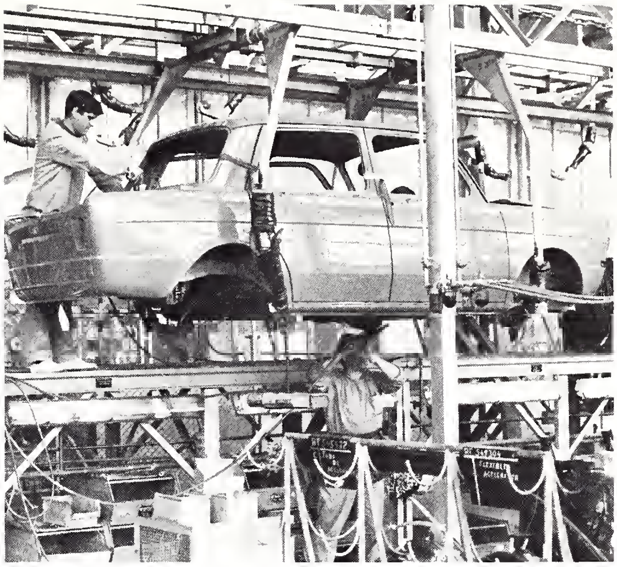
A satellite receiving station was inaugurated in 1968 at Buitrago, north of Madrid, for relaying transatlantic programs. The TVE is also connected to the Eurovision network and about 30% of programs shown are of foreign origin.

At the end of 1967, there were about 2.5 million TV sets in use, with an estimated audience of 17 million. In early 1968, there were 181 radio stations in operation with upwards of 8 million radio sets and an estimated audience of 8 to 14 million.

LABOR FORCE

Spain's labor force was 12.5 million at year-end 1968, representing about 38% of the population, a low figure by Western European standards due to the small participation of women. Distribution in the principal sectors was as follows: 31.2% in agriculture, forestry and fishing; 1.1% in mining; 26% in industry; 8.6% in construction; 10% in commerce; 5.1% in transport; and 16.9% in other sectors; 2% of the labor force was unemployed. Changes in output, employment and labor costs in Spanish industry from 1964–68 are shown in table 36.

Emigration of workers to Western European countries reached a peak of 181,000 in 1965. Since 1966, however, as a result of returning workers, net emigra-



The automotive sector is expanding rapidly to meet Spain's needs for all types of vehicles. The Simca assembly line at the Madrid plant of Barreiros-Chrysler is shown here.

tion has been negative and was 25,000 in 1967. Although many returning workers have acquired valuable skills while employed abroad, there is a shortage in some industries of skilled and semi-skilled workers, and the Government is striving to remedy the situation through increased enrollment in technical schools and labor universities.

While productivity increases were recorded in 1964–67 in industry, smaller gains were made in 1967 and 1968 due to the considerable wage increases obtained. The price and wage restraints instituted as part of the 1967 austerity program contributed to the lower rise in wage costs per hour in 1968 (see table 36). In 1969, the Government sought to restrict wage increases to 5.9%, assuming a 3.9% increase in productivity and only a 2% rise in prices. On January 1, 1970, the Government lifted the 1967 freeze on wages and prices.

FINANCE

Currency

The basic unit of currency in Spain is the peseta, composed of 100 centavos. Its par value is 0.012695 grams of fine gold, and in terms of the U.S. dollar, 1.42857 cents ($1.00 = 70 pesetas). These rates became effective in November 1967, when the Spanish Government devalued the currency by 14.3%. In January 1970, the total money supply in circulation amounted to $10 billion.

Table 36.—Output, Employment, and Labor Costs in Industry [1]

	Employment	Total hours worked	Production	Production per hour	Wage costs per hour	Wage costs per unit of output
1964	4.7	4.6	13.4	8.4	12.9	+4.2
1965	4.1	4.1	9.4	5.1	14.9	+9.3
1966	4.0	4.0	9.3	5.1	14.9	+9.3
1967	1.6	0.9	4.5	3:6	15.7	+11.7
1968	0.7	....	4.5	4.5	9.5	+4.8

[1] Includes mining and power.
Source: Ministerio de Industria, *La Industria en 1968*, and *Información Comercial Española*.

Banking System

The Banco de España is the country's central bank and as such provides general supervision of the banking community, advises the Government concerning monetary and fiscal matters, and services the public debt. The following six banks act as official credit institutions for medium and long-term credits for a particular field: the Mortgage Bank of Spain, Industrial Credit Bank, Local Credit Bank, Credit Bank for Construction, Agricultural Credit Bank, and the Central Office of Marine and Fishing Credit.

Private banking operations in Spain are concentrated in the hands of the five largest commercial banks, whose assets and liabilities constitute about one-half to two-thirds of the assets and liabilities of all private banks; these are the following: Banco Espanol de Credito, Banco Central, Banco Hispano Americano. Banco de Vizcaya, Banco de Bilbao, and Banco de Urquijo.

In addition, the Bank for Spanish Economic Development was created in 1963 to underwrite and distribute stock and other securities of industrial companies and to provide technical advice on financing and management. The Banco Exterior specializes in foreign commercial financing.

Savings banks generally draw deposits from individuals and grant credit to small borrowers. The principal institutions are the Welfare Savings banks. Postal Savings Banks and Rural Savings banks, and the Savings department of commercial banks.

A number of leading American banks have representative offices in Spain, most of which are located in Madrid.

The interest rates which may be charged by the Bank of Spain are 5.625% for commercial discounts and 6.375% for financial discounts. Rates on credits and loans allowed by commercial banks vary from 5% for credits guaranteed by time deposits, to 7.5% for account overdrafts.

Government Budget

The 1968–69 Budget was programmed for 237.8 billion pesetas for 1968 (U.S. $3.4 billion) and provided for an 11.6% increase over 1967 revenues. Indirect taxes comprise 50% of total revenues, with sales turnover, customs duties, and luxury taxes as the principal components; direct taxes contribute 26%, and other fees and charges. 15%. Current expenditures make up 68% of the spending, with personnel costs making up the largest share. Investment expenditures were planned at $77.1 million pesetas, of which real investments represented 17.8% of total spending.

When the Government inaugurated its austerity program in November 1967, it affirmed the need to increased public spending while restraining the growth of current expenditures, in order to stimulate the declining rate of investment in the economy while slowing the growth of consumer demand.

Investment

Many Spanish enterprises find it difficult to maintain a high rate of investment, partly because of the low rate of self-financing, the latter being caused by the rapid pace of investment in recent years and the cost-push resulting from wage increases. As a result, Spanish industry relies heavily on short-term credits, many of which are obtained abroad. In addition, the domestic capital market is not as developed as in most Western European countries.

Securities and commodities are traded in Spain on the Madrid, Bilbao, and Barcelona stock exchanges. There are curb markets in Seville, Zaragoza, Gijon, San Sebastian, and Valencia, and brokerage houses exist in many cities. Securities transactions are allowed through registered dealers, including the majority of commercial banks.

Foreign, and in particular, U.S., investment has played an increasing role in the Spanish economy since the inauguration of the Stabilization Plan in 1959 and the Government's concurrent decision to attract rather than discourage foreign investment. Spain remains a country where capital is scarce, and foreign investment will continue to play an important role in the country's development.

Despite liberalization of investments, the Government exercises substantial control over all foreign investments through the Foreign Exchange Institute (IEME) and the Ministry of Industry. Also, through banks and credit institutions, the Government is able to control the availability of domestic credit to foreign-owned firms, and can control decisions on such matters

as increased capitalizations. The amounts of authorized foreign investment in Spain in 1966 through 1968 and the principal sectors of investment are shown in tables 37 and 38.

Although the Government's basic policy of seeking foreign capital remains the same, it can be expected to intensify its efforts to channel foreign as well as domestic investment into those areas of the economy given highest priority within the Second Development Plan and the industrial restructuring program. In addition, because of increased public and business sensitivity, proposed foreign investment in the services sectors and retail enterprises ("non-productive sectors"), may be subjected to close scrutiny and may in some cases be refused.

The total of foreign capital invested in Spain in 1960–67 was estimated to be about $1.5 billion, of which around $600 million originated from the United States. (This figure representing about 2% of total fixed assets.) The cumulative value of U.S. investment in Spain from 1966–68 is shown in table 39. The Government has relied increasingly on foreign capital investments to help cover the deficits incurred on the trade accounts, especially since 1964. Additional information on laws and incentives covering foreign investment may be found in OBR 68–24, "Establishing a Business in Spain."

Balance of Payments

After the Stabilization Program was implemented, Spain enjoyed balance of payments surpluses until 1964. During those years, trade deficits were offset by rising receipts from tourism, foreign capital investments, and remittances from Spanish workers employed abroad. These inflows permitted the build-up of Spanish reserves to a peak of $1.5 billion in mid-1965.

In 1965–67, the high levels of imports needed to accommodate the economic boom—primarily capital goods, foodstuffs, and raw materials—resulted in trade deficits of $2 billion or more. Even the considerable earnings from tourism—$1.2 billion in 1966—were not sufficient to offset such deficits, and the balance of payments registered deficits since 1965, reaching a peak of $188 million in 1966. Table 40 shows Spain's balance of payments for 1966 to 1968.

In 1968, a 17.8% increase in exports, together with a temporary stagnation of imports and a moderate increase in earnings from tourism, produced a $71 million surplus in the balance of payments.

In 1969, the acceleration of domestic demand and expansion of production and investment resulted in steadily rising imports through the year and were 20% higher than in 1968. Thus, despite an encouraging 19% growth in exports in 1969, the trade deficit reached $2.3 billion, 20% higher than in 1968.

The capital account showed little improvement over 1968, and was not large enough to offset completely the huge trade deficit. The balance of payments thus registered an overall deficit of $225 to $275 million.[1]

Table 37.—Authorized Foreign Direct Investment, By Economic Sector, 1966-68

(In millions of Spanish pesetas)

Sector	1966 Value	1966 Percent share	1967 Value	1967 Percent share	1968 Value	1968 Percent share
Chemical products	1,513	20.96	2,167	26.72	1,984	25.22
Foodstuffs	452	6.27	1,463	18.04	728	9.25
Transport equipment	114	1.59	1,297	16.00	691	8.78
Nonmetalic ores	101	1.40	899	11.09	37	0.47
Electrical machinery	394	5.46	798	9.85	259	3.29
Trade	517	7.17	474	5.85	724	9.20
Textiles	279	3.87	230	2.84	46	0.58
Metalic products	163	2.26	223	2.75	563	7.16
Machinery	741	10.27	155	1.92	202	2.57
Mining	206	2.85	117	1.45	40	0.51
Rubber products	23	0.32	111	1.37	732	9.30
Others	2,718	37.58	176	2.12	1,862	23.67
Total	7,221	100.00	8,110	100.00	7,868	100.00

US$1 = 70 Pesetas.

Source: Spanish Ministry of Commerce and Foreign Exchange Institute.

Table 38.—Authorized Foreign Direct Investment, by country 1966 and 1967

(In millions of Spanish pesetas)

Country	1966 Value	1966 Percent share	1967 Value	1967 Percent share	1968 Value	1968 Percent share
United States	2,394	33.16	3,562	43.92	2,067	26.27
Switzerland	1,770	24.52	1,960	24.17	1,592	20.23
France	480	6.65	808	9.96	233	2.96
Germany	539	7.47	770	9.50	1,785	22.68
United Kingdom	146	2.03	273	3.37	779	9.90
The Netherlands	485	6.73	221	2.61	324	4.12
Italy	166	2.30	139	1.72	822	10.45
Liechtenstein	49	0.69	116	1.43	N.A.	—
Belgium	156	2.16	88	1.09	66	0.84
Canada	23	0.33	71	0.88	N.A.	—
Venezuela	1	0.02	50	0.62	N.A.	—
Sweden	548	7.59	20	0.26	N.A.	—
Luxembourg	79	1.09	12	0.16	N.A.	—
Puerto Rico and	385	5.26	20	0.25	N.A.	—
others			10	0.06	200	2.54
Total	7,221	100.00	8,110	100.00	7,868	100.00

US$1 = 70 Pesetas.

Source: Spanish Ministry of Commerce and Foreign Exchange Institute.

[1] Preliminary estimate as of February 1970.

CHAPTER V

Selling Channels

U.S. businessmen will find commercial practices somewhat different from those in the United States. For example, large volume purchasing by chains with numerous outlets is a minor factor in Spain, where retail trade is conducted largely by small specialty shops. Business relations are also more formal than in the United States.

In general, Spain conducts its foreign trade through regular commercial channels. This applies both to privately-owned and publicly-owned or operated enterprises. When selling in Spain, the U.S. businessman should treat a Government-owned or operated enterprise like any other Spanish firm, for these nationalized enterprises do their purchasing on an individual basis.

American exporters should thoroughly acquaint themselves with the Spanish market, sell more aggressively with the help of advertising, and make every effort to meet prices, credit terms, servicing, and other facilities which may be offered by competitors, chiefly from Western Europe.

THE ROAD TO SELLING

Import Channels

General import agencies, most of which are located in Madrid or Barcelona, provide the most effective access to the Spanish market. Dealers in provincial capital cities usually obtain their supplies from such agencies rather than by importing directly.

Avila, at left, is one of Spain's oldest and most beautiful cities. Its history and charm attract thousands of tourists each year.

No reliable figures are available concerning the number of firms engaged in the import business. Information on lists of Spanish importers and buyers may be found under "U.S. Aids for Exporters."

Distribution Practices

Marketing Areas—Madrid and Barcelona are the two leading market centers. The capital, Madrid, with a population of over 3 million, serves the central and western parts of the country. To the northeast, is Zaragoza (Aragon), one of the development centers; to the northwest, Valladolid, and Badajoz (Extremadura), serve as secondary centers.

Barcelona, with a 1.8 million population is the major industrial city, leading port, and center of activity in the northeast province of Cataluna.

The central Mediterranean coastal area is served from Valencia, a port with 1.7 million population, and the center of the citrus industry. The southern provinces, which constitute Andalucia, with a population of 1.5 million, are centered in Sevilla, the fourth largest city and one of the development centers. It is also a shipping center via the Guadalquivir River, and will soon be linked to the sea by the future Bonanza Canal. Other important trade centers in Andalucia are: Cordoba, Granada, Malaga, Cadiz, and Huelva, also a development center.

Bilbao, with a population of 400,000, is the center of heavy industry on the northern coast. Burgos, also a development center, Oviedo (Asturias), and Pamplona (Navarra) are secondary distribution centers in the northern provinces.

The provinces to the northwest constitute Galicia, La Coruna and Vigo, which are development centers and

Table 39.—Cumulative Value of U.S. Investment in Spain, 1966-68

(In millions of U.S. dollars)

	1966	1967	1968
Total	408	480	587
Manufacturing	192	257	306
Petroleum	109	93	140
Trade	76	94	100
Public utilities	8	10	13
Other	23	27	28

[1] Including mining and smelting.

Source: U.S. Department of Commerce, Office of Business Economics, "The International Investment Position of the United States in 1967 and 1968," *Survey of Current Business*, October 1968 and October 1969.

ports, and serve as the focus of trade for this region.

The populations of Spain's leading provinces and their capitals are given in table 41.

Most manufacturers sell their products through agents (agentes comerciales) and/or their own salesmen. However, agents usually are employed to handle a specific territory, and subagents report in turn to them. Some agents may represent more than one firm and work under a distribution agreement.

Some U.S. firms have found that sales engineers are difficult to find, since many educated Spaniards prefer office jobs. One large firm has remedied the situation by training men at the company's home office in the United States.

Agents may hold stock in warehouses in Spain, since major lines such as chemicals and industrial apparatus are sold by company salesmen directly to users.

Industrial salesmen are located in such primary trade and industrial centers as Madrid, Barcelona, Bilbao, La Coruna, Zaragoza and Sevilla. Large companies may have sales branches and/or warehouses in some or all of these centers.

The principal-agent relationship is governed by the Civil and Commercial Code, but there is no special protective legislation. Local commercial customs supplement the legal provisions and the will of the parties. The parties are free to agree on the terms of their agency agreement, including provisions for cancellation. In the absence of such provisions, the Commercial

Table 40.—Spain's Balance of Payments: 1966, 1967 and 1968

(In millions of U.S. dollars)

	1966		1967		1968 [1]	
	Receipts	Payments	Receipts	Payments	Receipts	Payments
Merchandise trade (f.o.b.)	1,308.3	3,300.1	1,418.7	3,199.9	1,666.9	3,242.3
Balance of trade		1,991.7		1,781.2		1,575.4
Services	1,612.4	603.5	1,558.5	683.9	1,689.8	824.1
Freight and insurance	51.2	185.9	53.1	180.8	236.4	292.0
Other transportation expenses	93.5	29.2	104.1	36.3		
Tourism and travel	1,292.5	90.5	1,209.8	99.4	1,212.7	101.6
Investment income	19.5	92.1	17.0	109.2	23.4	141.5
Government transactions	54.5	37.8	55.1	59.4	47.1	60.2
Other services	101.2	168.0	119.4	198.8	170.2	228.9
Balance of services	1,008.9		874.6		865.7	
Transfer payments	423.5	4.8	456.7	6.4	464.8	15.1
Private sector	420.4	4.2	451.7	6.2	463.4	15.1
Remittances from emigrants	346.1	0.6	325.5	5.2	324.3	4.8
Other private transfers	74.3	3.6	126.2	1.0	139.0	10.2
Public sector	3.1	0.6	5.0	0.2	1.5	
Balance of transfer	418.7		450.3		449.7	
Current balance		564.1		456.3		260.0
Long-term movement of capital	554.7	111.1	572.3	37.1	639.2	53.9
Private	403.9	101.4	528.9	26.9	488.4	52.2
Public	50.8	9.7	43.4	10.2	150.8	1.7
Balance of long-term capital	343.6		535.1		585.3	
Basic balance		220.5	78.9		325.3	
Monetary movement of capital	240.9	53.3	179.5	42.5		71.0
Change in reserves	204.0			12.5		46.3
Monetary gold	23.5		0.7			0.2
Operation with IMF		25.0	166.0			
Non convertible reserves		23.2		30.0		14.8
Convertible peseta account	13.4		12.7			9.7
Other operations		5.1				
Balance of monetary movement of capital	187.6		137.0			71.0
Errors and omissions	32.9			215.8		254.3

[1] Preliminary figures.

Sources: Ministry of Finance and Foreign Eychange Institute.

Code provides that the principal may cancel the agency at any time, on giving notice to the agent. The principal, however, remains liable for the value of the agent's efforts until such time as agreement is reached to terminate the dealership.

Communications

Airmail to and from the United States usually takes between 3 and 4 days but occasionally is quicker. Regular surface mail requires from 3 to 4 weeks.

The regular parcel post facilities existing between Spain and the United States are not entirely satisfactory. Considerable delays may occur after a package arrives at a Spanish post office for customs inspection and handling.

Local telephone and telegraph service within Spain is satisfactory, and rates are reasonable.

Long distance telephone and cable service from Spain to the United States and elsewhere is very good.

COMMERCIAL PRACTICES

Quotations and Terms of Payment

Since a good portion of the sales of foreign merchandise in Spain is made by importers stocking merchandise, the quotations are usually made f.o.b. warehouse, Spain. Quotations made from foreign suppliers in the absence of a representative are usually made f.o.b. foreign port. However, Spanish importers would accept and in many cases prefer quotations c.i.f. Spanish port.

Information on applicable tariff and border taxes is available through the nearest field office of the Department of Commerce.

Terms of payment are varied, but the following are the usual arrangements: (1) by irrevocable letters of credit payable upon presentation of documents; (2) by irrevocable letters of credit payable 90 to 180 days after the presentation of documents; (3) by sight draft; (4) by 90-day draft; (5) by check or bank transfer after the presentation of documents; and (6) by check or bank transfer after the sale of the merchandise (this latter only when goods are on consignment).

By far the most common means are the first four listed above. According to reports, European banks are willing to open credits for deferred payments for periods exceeding 180 days, but British and American banks, with the exception of the Export-Import Bank, dislike exceeding this period even when covered by a Spanish bank guarantee.

Table 41.—Population of Leading Cities and Their Provinces

(In thousands)

	City	Province	
Madrid	031	3,485	
Barcelona	1,759	3,737	
Valencia	624	1,684	
Sevilla	610	1,457	
Zarogoza	439	739	
Bilboa	401	992	(Vizcaya)
Malaga	351	845	
Murcia	270	869	
Las Palmas	263	568	
Cordoba	232	776	
Valladolid	212	400	
La Coruna	195	1,037	
Santa Cruz De Tenerife	181	597	
Granada	170	758	
San Sebastian	162	600	(Guipuzcoa)
Alicante	163	875	
Oviedo	143	1,051	
Cadiz	138	909	
Pamplona	137	441	(Navarra)
Vitoria	124	194	(Alava)
Salamanca	120	388	
Almeria	105	386	
Badajoz	104	757	

Source: Instituto Nacional De Estadistica, *Boletin Mensual*, December 1969.

United States firms do not generally extend credits to buyers in Spain for periods of longer than 90 days unless they are backed up by bank credit. The majority of the U.S. firms insist upon the prior opening of an irrevocable letter of credit, and the period of these letters of credit is limited by the U.S. banking policy described above of not exceeding 6 months.

Wholesale and Retail Channels

Firms desiring to sell successfully in Spain need a network of merchandising-minded wholesalers responsible for an area market and its effective promotion.

Wholesalers are of two types, *mayoristas*, large national or regional wholesalers selling to retailers, or *Menoristas*, small retail wholesalers in the provinces. Some firms have found that specialized wholesalers can do a more effective selling job if they can develop salesmen capable of furnishing technical service.

Department stores, including the chain type, exist in all of Spain's urban centers and sell a wide range of merchandise similar to that found in most U.S. stores. There is still, in many cities, however, an abundance of family-type enterprises, especially in the food sector. Supermarkets, such as they are known in the United States, exist and are increasing, but are located principally in the larger urban centers. About 180 were in operation in 1967.

The Government's policy under the Second Development Plan will be to restructure the internal trade system through the creation of larger and more efficient firms capable of handling more merchandise. In the food sector, this will result in a reduction in the number of retail outlets; in addition, the number of refrigerated warehouses and vehicles will be increased. The wholesale and retail outlets for a number of sectors are given in table 42.

Terms of credit vary considerably and depend on the commodity and credit standing of the purchaser. Wholesalers usually sell to retailers at 1 to 3 months credit with cash discounts of 1½ to 2%. Retail markups are usually high, averaging at least 40%.

Table 42.—Wholesale and Retail Establishments, 1967

	Total	Wholesale	Retail
Food	278,673	28,419	250,254
Textile	71,689	5,284	66,405
Wood, cork, paper & graphics	27,576	7,630	19,946
Leather, shoes & rubber	28,522	2,475	21,047
Chemicals	69,154	10,987	58,167
Construction glass & ceramics	27,701	4,812	22,889
Metals	66,373	11,191	55,182
Power, water & gas	1,793	291	1,502
Miscellaneous	29,531	4,164	25,367
Totals	596,012	78,253	520,759
Auto service stations	2,049		
Supermarkets	180		

Source: Banco Espanol De Credito, *Anuario Del Mercado Espanol 1967, Madrid.*

Consumer Financing

During the past few years, installment selling has become important, particularly in the automobile, and domestic fields. Consumers buying merchandise on time must make a 35% down payment on most goods; the price on which the down payment is calculated includes any luxury taxes and applicable local taxes. The limit for such installment credit is usually 18 to 24 months.

Trade Customs

Business Etiquette.—Spain's traditional courtesy and hospitality apply to business relations. It is customary to entertain only intimate friends in the home. On the other hand, many public places of entertainment are located in the larger cities and business visitors should be prepared to reciprocate the courtesies accorded to them.

Commercial Language.—Spanish is the commercial language, although Catalan is used extensively in the Barcelona area. The importance of having trade literature, catalogs and instructions for the use and servicing of products printed in Spanish cannot be over-emphasized. Many large commercial houses can, however, conduct correspondence in English or French in addition to Spanish.

Business Hours.—In general, business hours are from 9:30 a.m. to 7 p.m., with 2 to 2½ hours for lunch between 1 and 4:30 p.m. Banking hours are generally from 9 a.m. to 4 p.m. (shorter in the summer). Government offices, in general, are open from 9 a.m. to 2 p.m. Offices customarily close on Saturday afternoons.

Holidays.—In addition to the Spanish legal holidays listed in chapter IV, many businesses observe local holidays and feast days. Local holidays include May 15 (San Isidro), which is celebrated in Madrid only, and the following holidays celebrated only in Barcelona: Easter Monday, June 24 (St. John the Baptist); September 24 (Our Lady of Mercy); and December 26 (St. Stephen's Day).

System of Weights and Measures.—The metric system is used in Spain. One metric quintal equals 100 kilograms; 1 kilogram equals 2.204 pounds; 1 meter equals 39.37 inches; and one liter equals 1.056 quarts. The metric system should be used, if at all possible, in every quotation where measurement or weight is involved.

MARKETING AIDS

Advertising Media

Advertising has developed rapidly since 1960 in Spain, and many leading foreign, including U.S., firms have agencies in Spain. Advertising expenditures in 1967 reached about US$257 million: the breakdown according to the various media was as follows: TV, $86 million; magazines, $42 million; radio, $27 million; motion picture theaters, $15.4 million; outdoors, $13.8 million; and miscellaneous, including direct mail, retail and catalogs, $46.2 million.

Newspapers are still the strongest individual advertising medium, and there are about 106 effective daily papers and 33 special Monday papers called Hojas del Lunes, published in 63 cities and towns. Evening papers do not appear on Sunday and morning papers do not appear on Monday. The majority of Spanish newspapers are privately owned, and are either regional or local; only six may be considered as having national coverage. The largest circulation of any newspaper is 311,000.

Magazines are mainly read by women in Spain, whereas newspapers have a predominantly male reader-

ship. There are upwards of 1,000 weekly, biweekly, and monthly periodicals in Spain, but most have too small a circulation to be of interest to advertisers. There are only 50 consumers' magazines of real significance in terms of circulation.

The trade and technical publications are important, although some care must be taken in their selection, because many are read comparatively little. The use of these publications has increased commensurately with the industrial development.

Radio advertising has grown considerably. There ar over 200 radio stations in Spain, and about 8 million radio sets with an estimated audience of 17 million persons. The Government controlled National Radio Chain does not accept advertising.

Television is the second largest advertising medium. There were over 2.7 million sets in Spain in 1969, with an estimated audience of 8 to 14 million persons. The number of sets is increasing rapidly, despite their high cost. All stations are owned and operated by the Government's TVE network and they carry advertising.

Advertising agencies are of different types, and foreign advertisers should be aware of the distinctions before making a selection. The principal types are full service, general, distribution, exclusive, and technical study.

Commissions and rates are not uniform in Spain and are subject to negotiation in many instances. Agency commissions are generally 15% to 17.5%, but important clients often are charged much less. Rates in the leading newspapers and magazines range from $150 to $500 per page. Radio stations charge the same regardless of the hour of advertisement, but a 50% premium is not uncommon if a time is specified. In the large cities, spots are for 10 seconds and cost $5; 15 second spots on television range from $250 to $1,250. Because of the great demand for television space, it is usually difficult to buy prime time. Filmed commercials shown in movie theaters range from 15 to 30 seconds in length and vary from $12 to $16. Outdoor advertising on billboards and posters runs about $75 per month for 3 by 4 meter billboard in a city, and $33 along a highway. Subway stations are used heavily for advertising consumer durables. A turnover tax of 2.7% of total billings is levied on agencies and is chargeable to the client. Municipal taxes are charged on outdoor ads.

Advertising agencies and the growing number of research firms in Spain find it increasingly difficult to obtain adequate information and data for the following reasons: many companies in Spain have clandestine business practices; there is a shortage of qualified market research personnel; and it is usually difficult to conduct consumer surveys because the Spanish public is not in the practice of giving information.

Sales agents for a U.S. packaging machinery firm demonstrate their company's products at an exhibition sponsored by the U.S. Department of Commerce at Madrid.

Market Research and Trade Organizations

Market research is conducted by a few specialized firms as well as by a number of advertising agencies.

The American Chamber of Commerce in Spain has its headquarters at Rambla Estudios 109, Barcelona, 2, with branches at San Augustin 2, Madrid, 4; Diputacion 8, Bilbao; Marques de Santa Cruz 14, Oviedo; Avenida Queipo de Llano 13, Sevilla; Munoz Degrain 2, Valencia; and Coso 15, Zaragoza.

Each province in Spain has an Official Chamber of Commerce, Industry and/or Navigation, grouping all the firms in the province. These chambers are grouped under the Superior Council of Chambers of Commerce, Industry, and Navigation at Madrid.

The Spain-U.S. Chamber of Commerce actively helps promote trade between the United States and Spain. It is located at: 500 Fifth Ave., New York, N.Y. 10036. It has branch offices at 55 East Washington St., Chicago, Ill. 60602, P. O. Box 894, San Juan, Puerto Rico 00902 and Mobil Oil Bldg., Suite 668, 612 S. Flower St., Los Angeles, Calif. 90017.

U.S. Aids for Exporters

The U.S. Department of Commerce daily receives information for international businessmen from U.S. Foreign Service officers in nearly 300 posts throughout the world. Trade experts and commodity and country

specialists of the Department of Commerce are also in constant consultation with U.S. and foreign businessmen and officials. While much of this information is published by the Department, additional, unpublished information is available through Department of Commerce Field Offices and the Department in Washington. D.C.

Published marketing information provided by the Commerce Department includes: Lists of foreign buyers, distributors, and agents for various products in different countries; individual reports on foreign firms; export opportunities; sources of foreign credit information; directories of foreign advertising agencies and market research organizations; guides to foreign business directories: export and investment opportunities; information on tariffs and trade controls; and current information on business conditions in foreign countries. Daily listings of international business opportunities are published in *Commerce Business Daily.*

Further information on foreign business conditions may be obtained from the trade experts and country specialists of the Bureau of International Commerce. Information on the international sales potential of specific commodities may be obtained from the industry and commodity divisions of the Business and Defense Services Administration.

Spain hosts numerous international trade fairs each year, many of which are specialized fairs focusing on a single commodity or industry. Occasionally, the U.S. Department of Commerce participates in such fairs or holds a vertical (solo) exhibition to feature products of U.S. firms. Detailed information on these fairs and exhibitions is available from the nearest Commerce Department Field Office or Office of International Trade Promotion, BIC–944, U.S. Department of Commerce, Washington, D.C. 20230.

Trade lists containing the names and addresses of firms in Spain are available for $1 per commodity classification from the Commercial Intelligence Division, OITP–924, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C., 20230, or from any of the Department's Field Offices.

World Trade Directory Reports on individual firms are available from the same sources for $2 each.

GOVERNMENT PROCUREMENT

Central Government Purchasing

In Spain, State trading is conducted in a limited number of commodities. The tobacco monopoly, "Tabacalera, S.A." controls the importation, manufacture, and sale of all tobacco and tobacco products. Purchases of tobacco of foreign origin are made on an open bid basis, in accordance with the needs of the domestic market.

The petroleum monopoly, "CAMPSA" (Compania Arrendataria del Monopolio de Petroleos, S.A.) controls the importation and distribution of petroleum products. Purchases of foreign products are made on an open bid basis.

The Ministry of Commerce closely controls the import of a number of products, principally basic foodstuffs such as wheat, meats, and vegetable oils, which are subject to State trading. Imports are purchased on a commercial basis and are frequently bought through open bids required by the Directorate General of Foreign Commerce. The General Supply Commission (CAT) is responsible for the distribution of these goods once they have entered Spain. Some goods formally listed as being subject to State trading, such as feed grains, may in fact be imported freely by private sources through payment of a variable import levy.

There are no representatives of the above organizations in the United States.

State and Local Government Purchasing

Provincial and local government agencies follow the same general procedures regarding foreign purchases as the national Government.

Procurement Procedures

Government procurement in Spain is regulated by the following laws and regulations: Basic Law of State Contracts, December 28, 1963, Decree Law 923/1965 of April 8, 1965, and Decree 3354 of December 28, 1967, which implements the 1965 decree.

The various types of tenders used in Government procurement are: The auction (subasta), where the contract is awarded to the lowest bidder; the selective tender (concurso-subasta), where the contract is awarded to the lowest bidder from among a group of firms previously selected as meeting certain preestablished requirements; tender (concurso), where the contract is awarded to the bidder submitting the most advantageous proposal, even though it may not be the

cheapest; and the private direct tender, where the contract is awarded to whoever the administration wishes.

Subasta.—Auctions are published in the State Official Gazette at least 20 days in advance for domestic contracts, and 40 days in advance when international bids are accepted. Only one bid may be submitted and it must be hand delivered. Bids are opened in public, and provisional award of the contract is made. Definite approval of the award is made within 20 days.

Concurso-Subasta.—Selective tender is open only to interested firms who have been admitted previously to the competition by the interested Ministry, subject to special requirements. Time periods are identical as for the auction.

Concurso.—Tender is used for the following types of contracts: those where a prior estimated cost is not possible; those where execution of the work requires technical designs and conditions not normally available to the Government; those where the Administration is to furnish materials and other additional means, and where the use thereof requires special guarantees furnished by the contractor, or where contractors are required to have special qualifications.

Direct contracting.—Used only as follows: When it is not possible to promote an open competition; in case of real urgency; for small repairs or maintenance; when the cost is less than US$21,400 (1.5 million pesetas); when the work is considered artistic; where security of the State requires special guarantees; in cases of special work; when there are insufficient bidders; where the purpose of the work is to continue work covered by cancelled contracts; and in cases covering research or experimental work. Award of the contract is announced in the State Gazette.

Service Contracts.—May take the following forms: *concession*—where the contractor will render the service at his own risk and for his own account, but complying with the conditions set forth by the Government; *Gestion interesada*, where the State and the contractor participate in the results of the operation of the service in the proportion established in the contract; or in concert with a firm or individual who is already carrying out services similar to those required as public services; or by the creation of a *joint company* in which the Government participates directly or through a public enterprise, in collaboration with private individuals or firms. The concurso is most often used in awarding public service contracts, but direct contracting may be used in special situations, cases of emergency, or when the cost does not exceed US$21,400 (1.5 million pesetas). Awards of service contracts are also published in the State Gazette.

Supply contracts cover the following: the contractor obligates himself to deliver an unspecified amount of goods, because deliveries are dependent on the Government's requirements; or the goods to be delivered are to be manufactured in accordance with preestablished characteristics. Supply contracts are usually awarded through the concurso, but direct contracting may be used in special situations.

Qualifications Required

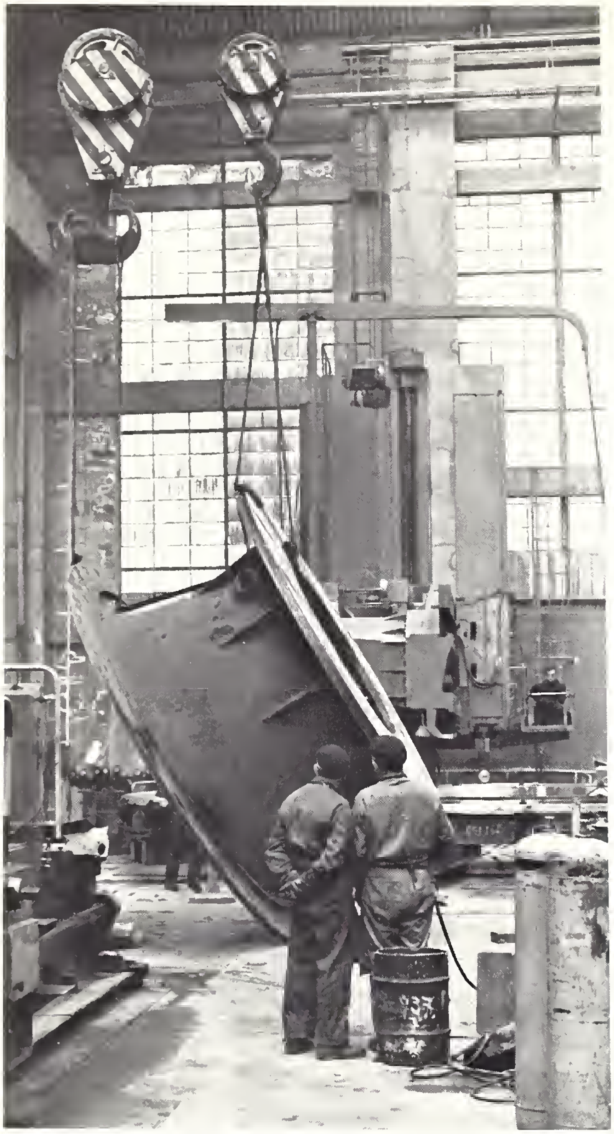
Foreign firms wishing to contract with the Government must meet the following requirements: have full capacity to contract and obligate themselves, in accordance with the laws of their respective country; prove, documentarily, that Spanish firms can contract with their respective governments in a similar manner; have a branch office legally established in Spain which acts as its representative and for which the required foreign investment authorizations will have been obtained; the foreign firm and its representatives must be registered in the Spanish Mercantile Registry and the Ministry of Industry's Industrial Registry. In its tender, the firm must agree to abide by the jurisdiction of all Spanish courts. In order to establish its juridical personality, a foreign firm must submit its documents of incorporation, translated into Spanish by the Spanish Ministry of Foreign Affairs, and accompanied by a statement from the Spanish Embassy in the respective country to the effect that the firm has legal capacity to contract and to obligate itself. The proposal must state the participation in the work of the corresponding foreign firm or firms.

Classification and Registration—All firms, whether bidding on public works, supplies, or services must be registered with the Ministry of Finance or the Purchasing Board in the appropriate Ministry.

Firms bidding on works contracts must deposit temporarily 2% of the estimated value of the contract. The deposit is returned to unsuccessful bidders, while the bond of successful bidders on supply or public works contracts is retained until formalization of the contract. The contractor is then required to post a bond equivalent of 4% of the contract price. The amount of the bond is established in services contracts.

Decree 221/1965 specifies that all bidders for goods, services, and public works must take into consideration provincial and local taxes for which they may be liable; they will not be permitted to claim reimbursement for such costs separately.

Treatment granted to Foreign Suppliers—As a general rule, the Government does not permit the use of



This vertical lathe being installed in a Spanish factory is an example of the wide range of machinery needed to modernize industry.

foreign goods in State contracts except where Spanish products are judged to be inferior, in insufficient supply, or for other reasons. Under decree 3740 of December 16, 1965, in public works tenders in which both Spanish and foreign firms participate, the lowest foreign bid must be at least 10% lower than the lowest Spanish bid to be accepted.

State Contracting Abroad—Regulated by Decree 3637 of November 25, 1965. If the contract is signed within Spanish territory for work to be done abroad, then the provisions of the State Contracting Law apply. Only the Ministry of Foreign Affairs is empowered to enter into contracts abroad for the State, but it may delegate this power to other State agencies or officials (such as Spanish Embassies or Consulates) or to private individuals, whether they be Spanish or foreign nationals.

Contracts will be drawn up in accordance with the laws of the territories where they are entered into and only with companies having the legal capacity to contract under the laws of their country. Construction work will be supervised by the Government department directly affected by the contract: supply and service contracts are approved by the Ministry having jurisdiction. In addition, approval of the Ministry of Commerce is required for contracts resulting in payments in foreign currencies.

SELLING UNDER U.S. PROGRAMS

The Agency for International Development (AID) no longer extends assistance in supplying goods and services to Spain.

Individual projects may be financed by Export-Import Bank loans provided the materials used are of U.S. origin.

Assistance may be extended in the form of agricultural commodities under Public Law 480, which provides for the sale of agreed amounts of agricultural commodities to Spain through private U.S. exporters. The exporter is paid in U.S. dollars by his commercial bank when he provides the necessary documentation. Further information can be obtained from the Program Development Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250.

Firms desiring to sell to the U.S. military bases or U.S. personnel in Spain are reminded that these are joint Spanish-U.S. installations under Spanish command. Existing Spanish business laws are applicable and prior authorization to sell or operate on the base is required. Further information may be obtained from the Office of Foreign Military Rights, ISA, Department of Defense, Washington, D.C. 20301. Firms doing contract work in Spain for the U.S. military should contact the appropriate service branch in the Department of Defense.

Export Insurance

Under policies issued by the Foreign Credit Insurance Association (FCIA), U.S. exporters may obtain export credit insurance against commercial and political risks for either short- or medium-term credits. The policies are underwritten by the FCIA and the Export-Import Bank, a U.S. Government agency.

Short-term insurance covering credit terms up to 180 days is available on a whole-turnover or adequate spread-of-risk basis (i.e., the U.S. exporter concerned must generally insure all his shipments worldwide which are eligible for FCIA insurance). Medium-term insurance covering terms from 181 days to 5 years is usually issued on a case-by-case basis. Exporters may apply for these policies through their local insurance agent, broker, FCIA member company, or the FCIA itself at 250 Broadway, New York, N.Y. 10007. FCIA has representative offices located at: J.F.K. Federal Building, Boston, Mass. 02203; 85 Front St., P.O. Box 272, Berea, Ohio 44016; 1520 Texas Ave., Houston, Tex. 77002; and 24 California St., San Francisco, Calif. 94111.

Export Guarantees

On medium term sales, exporters may seek nonrecourse financing from U.S. commercial banks instead of financing with the assistance of FCIA export credit insurance. The Export-Import Bank guarantees against political risks the early maturities of a foreign importer's paper used to secure the commercial bank financing. The bank also guarantees against both political and commercial risks for long-term maturities. Commercial banks assume the commercial risks on early maturities. Guarantees are approved usually on a case-by-case basis; exporters should apply to their commercial banks which deal directly with the Export-Import Bank.

NOTES FOR BUSINESS TRAVELERS

Entrance Requirements

U.S. citizens need valid U.S. passports, but neither visas nor health certificates are required.

Foreigners living in Spain are considered to be tourists for the first 6 months of their stay. After the first 6 months, a foreigner is normally classified as a resident, unless approval is obtained for extension of his status as a tourist. To remain in Spain as a resident, a foreigner must register with the police authorities in the district in which he will reside and obtain a residence permit.

As a resident, a foreigner becomes subject to Spanish income tax laws.

Further information may be obtained from the nearest Spanish Consulate of Spain in the United States and/or the Passport Office, U.S. Department of State, 17th & H Sts., N.W., Washington, D.C. 20524 or its nearest regional office.

Employment in Spain

A foreigner who wishes to work in Spain, either for his own account or as an employee, is required to obtain a work card (tarjeta de identidad profesional) from the Ministry of Labor.

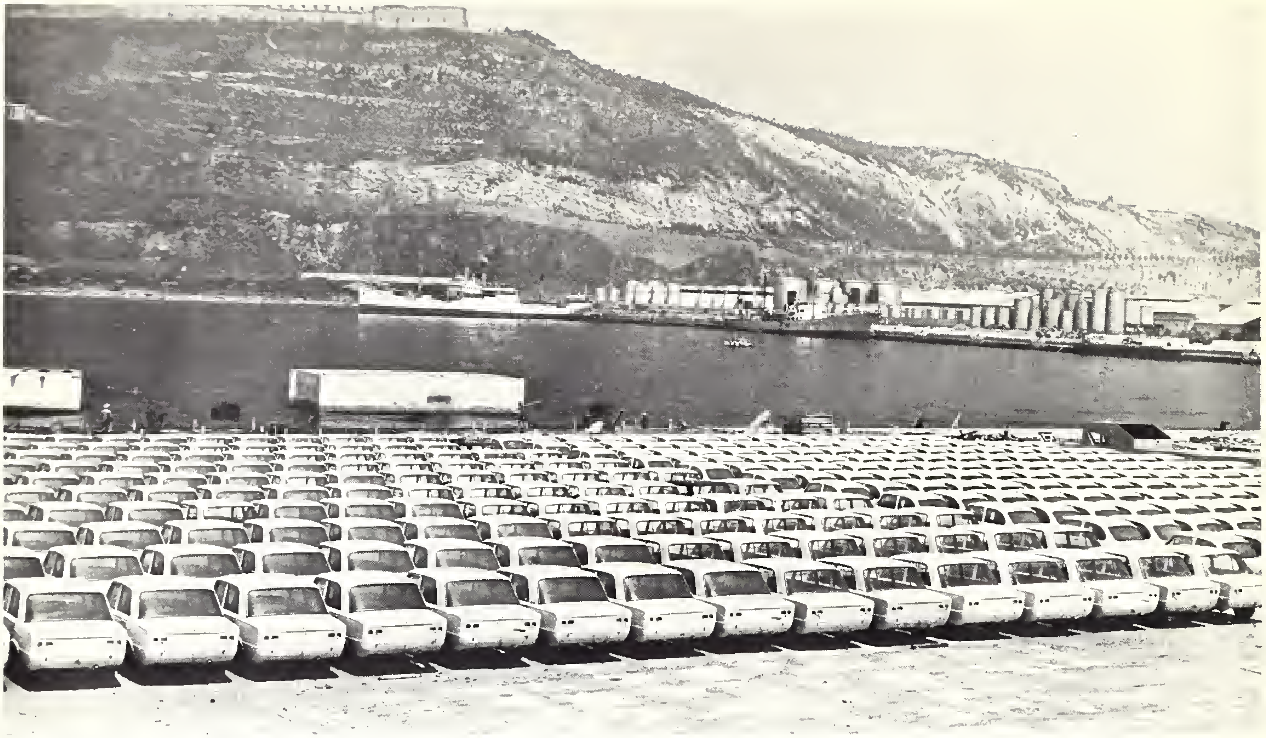
Applications for work cards must be made by the employer under whose orders the foreigner expects to work. Foreigners who wish to work for their own account must present their own applications. If they are starting a new business, they must also obtain a certificate from the Provincial tax office. In the case of managerial posts, the foreigner must present a certification of his position issued by the board of directors of the firm. Further details on regulations affecting the employment of foreigners may be found in OBR 68–24 "Establishing a Business in Spain."

Living Costs

Hotel rates in Spain are usually much lower than are comparable U.S. accommodations. The Spanish Government has in recent years encouraged the construction of hotels and inns in order to cope with the rising tide of visitors. Information on the locations and rates of hotels is available through airlines, travel agents, or the Spanish National Tourist Office, which has representatives located at: 589 Fifth Ave., New York, N.Y. 10017; 180 North Michigan Ave., Chicago, Ill. 60601; 453 Post St., San Francisco, Calif. 94102; 338 Biscayne Blvd., Miami, Fla. 33132; Casa del Hidalgo, Hypolita & St. George St., St. Augustine, Fla. 32084; Fortaleza 367, P.O. Box 463, San Juan, Puerto Rico 00902. Persons traveling to Spain are encouraged to make hotel reservations well in advance, especially during the summer months when the tourist season is at a peak.

Housing comparable to U.S. standards is available in the large urban centers, but is often difficult to find. Rents are usually on par with or higher than in the United States, although major appliances such as refrigerators and stoves are not always furnished. American name-brand appliances can be bought locally, but are usually more expensive than in the United States. Food is plentiful and varied throughout Spain, although certain items are subject to shortage from time to time. With the exception of fruits and vegetables, food prices are on par with the United States. In recent years, despite the Government's efforts, prices have been rising by 3% to 4% annually.

Cost-of-living data abroad are published in the *Monthly Bulletin of Statistics* of the United Nations. The U.S. Department of Labor issues a free monthly periodical, *Labor Developments Abroad*, which con-



The port of Barcelona handles the greatest share of Spain's foreign trade. Here a contingent of Spanish-made SEAT autos awaits outgoing shipment.

tains information and data on wages and living costs. This publication is available from the Information Office, BLS, U.S. Department of Labor, Washington, D.C. 20210.

Foreign Exchange Regulations

There are no restrictions on the amount of dollars which may be brought into Spain, but the law requires that all foreign exchange be declared at the frontier. Foreigners are permitted to bring in up to 50,000 pesetas (US$715) in Spanish currency per person. Visitors leaving Spain may depart with no more foreign currency than the amount which they declared on entry and no more than 3,000 pesetas (US$43) in Spanish currency.

Customs Procedures

In general, travelers to Spain are permitted to bring in, duty free, clothing and personal effects contained in their luggage and intended for their personal use.

U.S. Flag Steamship Lines Serving Spain

American Export Isbrandtsen Lines, Inc.
26 Broadway
New York, N.Y. 10004

American President Lines, Ltd.
601 California St.
San Francisco, Calif. 94108

Isthmian-States Marine Lines, Inc.
90 Broad St.
New York, N.Y. 10004

Lykes Bros. Steamship Co., Inc.
P. O. Box 50998
New Orleans, La. 70150

Prudential Lines, Inc.
1 Whitehall St.
New York, N.Y. 10004

States Marine Lines, Inc.
90 Broad St.
New York, N.Y. 10004

United States Lines Co.
1 Broadway
New York, N.Y. 10004

Waterman Steamship Corp.
140 Broadway
New York, N.Y. 10005

CHAPTER VI

Tariff and Trade Regulations

IMPORT TARIFF SYSTEM

The Spanish customs tariff uses the Brussels Tariff Nomenclature. The duty rates of the tariff are given in three columns: fixed, temporary, and GATT. The fixed rates, which are higher than the temporary rates are levied on imports from countries which are not GATT members or which do not have commercial agreements with Spain. Therefore, the lower temporary rates are applicable to imports from the United States and most other countries, and, although they may fluctuate, upward movement is limited by the GATT rate. Most imports from the United States are subject to duties ranging from 10% to 35%. However, lower rates of 1 to 10% apply to imports of raw materials, and higher rates ranging from 35% to 60% apply to certain manufactured products. There are no preferential duty rates, although goods produced in Spain's African provinces are admitted duty-free.

Basis of Duty Assessment

Spanish import duties are levied almost entirely on an ad valorem basis. The basis for valuation is the normal price of the merchandise plus the cost of transportation and all other expenses connected with the sale and delivery of the merchandise to the Spanish customs territory. The normal price is the price which could be obtained for the goods in a sale negotiated in the open market between a buyer and a seller independent of each other, at the time of entry. The normal price is not the price actually paid in cases where the goods are sold with allowances or discounts exceeding those normally granted for similar transactions, or when such discounts are not granted to all buyers under the same conditions. The customs administration is authorized to increase the declared value of imported goods for duty-levying purposes when there is proof of the existence of unusual discounts or of "special relationships" between buyer and seller.

A few specific rates are levied on a dutiable basis indicated in the tariff for each item. Such duties are based on net or gross weight, length, volume, or on the number of units imported. The metric system of weights and measures is used in customs transactions; duties are payable in Spanish pesetas, and the conversion rates used are those announced by the customs office for the day of clearance. There are no customs surcharges in Spain.

SPECIAL CUSTOMS PROVISIONS

Entry

It is necessary to employ a customs agent or broker to clear goods through the Spanish customs. For all imported goods, an import declaration must be filed in duplicate within 72 hours of the time of unloading, or a fine of 5% of the amount of the duties and charges will be levied. Declarations must contain the exact wording of the tariff items under which the goods are dutiable.

The presentation of the bill of lading is a prerequisite for obtaining possession of goods shipped to Spain. Should this document be lost, however, the goods may be procured by presenting a bank guarantee covering the full value of the goods involved. The shipper is therefore adequately protected insofar as documentary procedure is concerned.

If, at the time of customs clearance, the importer or his agent does not have the original invoice and its

copy, he must give a guarantee that he will present them within 3 months, beginning on the date of dispatch for shipments of non-European origin, and within 2 months for shipments of European origin. The goods may then be cleared provisionally.

Goods may be declared for consumption, transit, reexport, or warehousing. Goods which have been declared for consumption may not be re-exported.

Transit

When goods are unloaded at a customs house they may be declared for transit, whether or not so designated in the import declaration. Transit shipments include goods for foreign destinations passing through Spain, merchandise directed under customs surveillance to a warehouse or to a customs office in the interior of Spain for declaration, merchandise withdrawn from warehouses or declared and verified at a Spanish customs office and directed to a customs office on the frontier for reexport, and merchandise shipped by land from one warehouse to another. When goods of any kind intended for maritime transit are so declared on the ship's manifest, no further customs declaration is required, since they do not have to be unloaded at a customs house.

Re-Export

There are four systems of tariff scheduling which affect goods re-exported from Spain. They are Drawback, Temporary Admission, Replacement, and Temporary Import.

Drawback.—"El Drawback" is a system in which duties and taxes are paid in the normal manner, but are reimbursed when the imported goods are processed or incorporated into another product and re-exported within 6 months (period extendable upon request). The importer must submit a detailed list of the goods at the time of customs clearing, and must state that they are destined for re-export.

Temporary Admission.—"Admissiones temporales" is a system in which a bond or bank guarantee is deposited for the amount of import duty and tax due, and then released by the customs authorities upon re-exportation of the goods. In addition, the temporary admission system allows for the tax to be paid upon entry (when bond is placed for duties), and a tax rebate to be rendered upon re-exportation. It is usually more profitable to pay the tax based on the value of the imported product and to receive a rebate based on the value of the exported product. Application for temporary admission must be made prior to importation, and the processing or manufacturing must involve an industrial change and enhance the value of the goods. Goods entering Spain under this system must be licensed, and must be re-exported before the expiration of a time limit, usually 3 to 6 months, but extendable in some cases.

Replacement system.—"Sistema de reposicion con franquicia arancelaria." Under this system, Spanish companies which exported during the previous year may import free of duty primary materials and intermediate products of the same kind and having similar characteristics as those incorporated into products which were exported in the last year. The import tax may either be paid outright and a rebate received upon re-exportation, or a deposit which will be refunded upon re-exportation may be made on the amount of the tax. There is no obligation to re-export under the replacement system.

Temporary import.—"Importationes temporales" applies to the importation of finished goods which do not undergo essential changes before re-export. This is similar to the Temporary Admissions System in that the goods are cleared on bond without the payment of duties.

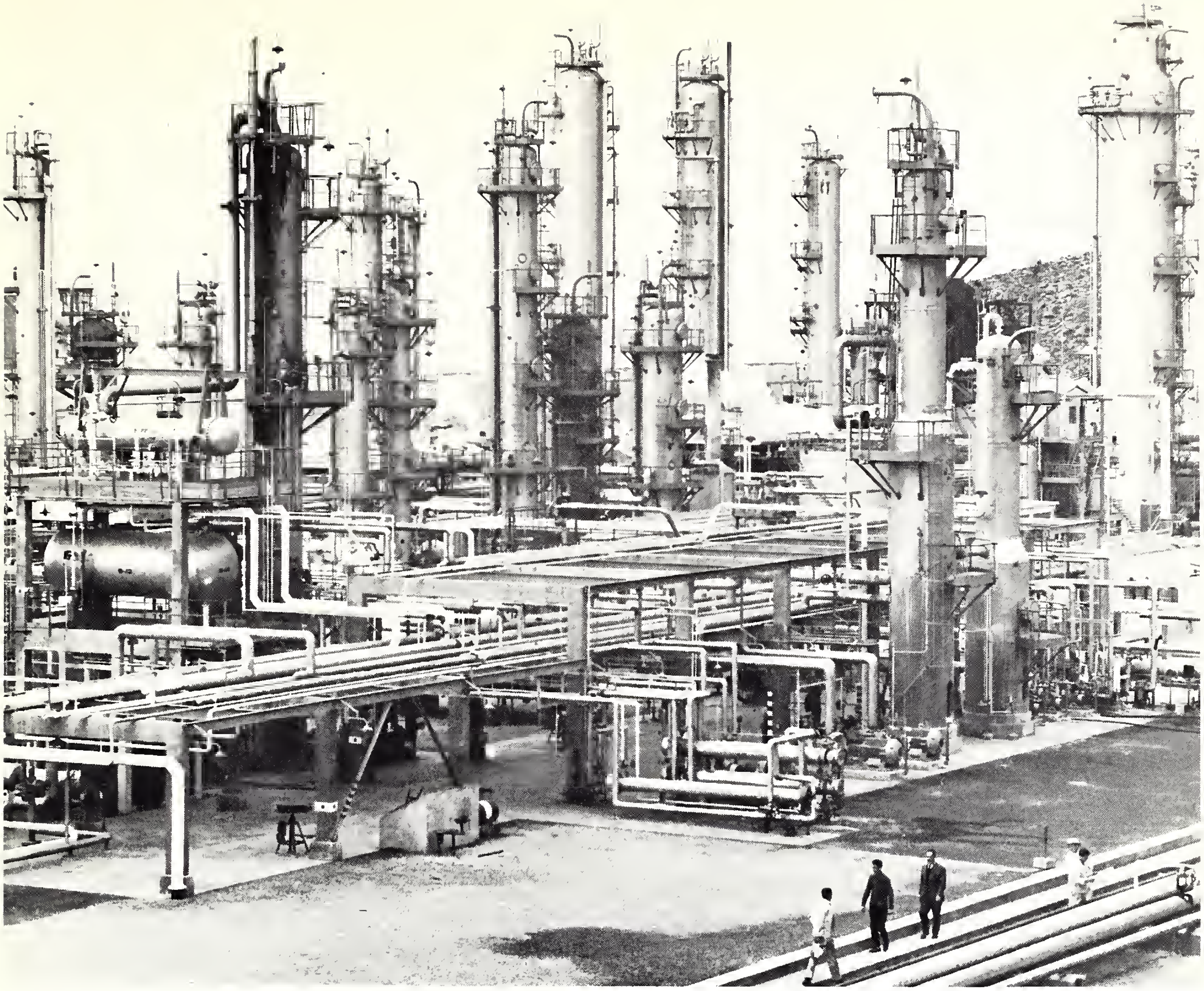
Free Ports and Warehousing

Spanish free ports are located in the Canary Islands at Las Palmas and Santa Cruz de Tenerife. While there are no free ports in continental Spain, the creation of the Cartagena free port has been authorized.

Free zones have been established in Barcelona, Cadiz, and Vigo. These free zones are governed by administrative societies which establish the operating regulations and determine the charges for the various services of the zone. Merchandise may be kept in the free zones for a maximum of 6 years. During this time small samples may be withdrawn, either into Spain or other countries, and normal sorting, grading, packing, and marking operations may be carried on within the zones. Industrial operations changing the nature of the merchandise may be authorized in accordance with the governing laws and regulations.

Warehousing.—In addition to free zones, there are four general types of warehouses: (1) almacenes (customs warehouses); (2) depositos de comercio (commercial deposits); (3) depositos francos (free deposits providing for liberal manipulation privileges; and (4) depositos flotantes de combustibles (floating deposits for combustibles).

Customs warehouses—Goods may be stored in customs warehouses for 4 months. Storage fees are collected for each 10 days or fraction thereof. No manipu-



Spain's increasing energy requirements are being partly met by the Escombreras oil refinery at Murcia.

lation is permitted in customs warehouses. Partial withdrawals may be made but only of complete packages. If goods are not withdrawn at the expiration of the storage period, they are considered abandoned.

Commercial deposits—All dutiable goods of non-Spanish origin on which duties and taxes have not been paid are admitted to commercial deposits, except tobacco and explosives.

The maximum storage period is 4 years and may not be extended. Goods may not receive any manipulation or working of any kind, except changes in packing or extraction of necessary samples in small quantities under customs supervision.

Partial withdrawals may be made, but only of complete packages.

Free deposits—All kinds of goods. dutiable or free, foreign or Spanish, including tobacco for the State monopoly, may be stored in free deposits under customs supervision. Free deposits now exist at Cadiz, Barcelona, Bilbao, Cartagena, Santander, Vigo, and various other ports. The period of deposit may not exceed 4 years.

The following operations may take place in free deposits under supervision of the administration and of representatives of the chambers of commerce requesting them: (a) change of packing; (b) division of goods to prepare commercial classes; (c) mixing; (d) shelling and roasting of coffee and cocoa; (e) shearing of hides; (f) pulverization of wood; (g) washing of wool; (h) extraction of oil from copra and oilseeds and solidification and hydrogenization of the same; and (i) all operations which increase the value of goods deposited without essentially changing the nature of the goods. For packages containing foreign tobacco, no change of packing or division of the contents is permitted. Partial withdrawals are permitted.

Floating deposits for combustibles—National or foreign coal or mineral combustible liquids are stored in deposits established for this purpose, without payment of duties or with duties paid, as expressly authorized.

Special regulations govern entry and removal of combustibles from these deposits, similar to those in force in commercial or free deposits.

Samples and Advertising Matter

Spain is a member of the "International Convention to Facilitate the Importation of Commercial Samples and Advertising Matter."

Samples—Samples of negligible value are admitted duty-free. Samples having commercial value, or those not so mutilated as to render them unsalable, are subject to the duties regularly applied to commercial shipments of such commodities.

Samples having commercial value or otherwise fail ing to qualify under provisions for free entry may be imported temporarily into Spain by bona fide commercial travelers for a maximum period of 1 year upon deposit with the customs collector of a sum adequate to cover the full import duties. Such deposit will be refunded by the customs collector at the point of exit upon outward clearance of the goods originally entered and upon presentation of the deposit receipt, provided always that the goods are removed within 1 year from the date of entry.

To qualify as a bona fide commercial traveler, an individual must bear a letter from his principals certifying his status and visaed by the Spanish consular officer nearest the home office of such principals. This letter or certificate must also list and identify the samples carried by the traveler and indicate that they are not for sale.

Advertising matter—Advertising material, price lists, catalogs, and trade notices are admitted free of duty provided they do not exceed one document; or, if they exceed one document, that there is not more than one example of each document; or, if there is more than one example of each document, that the total weight of such material does not exceed 1 kilogram.

Advertising materials, other than those described in the preceding paragraph, are subject to duty according to their classification in the customs tariff.

Advance Rulings on Classification

Advance binding rulings on tarrff classifications may be obtained by presenting an application for classification directly to the Tariff Study Service, Direccion General De Politica Arancelaria, Ministerio De Commercio. Castellana 16, Madrid, Spain. Each application must be accompanied by a fee of about US$.10 and will be answered in approximately 2 weeks. Applications should be accompanied by samples of the article in question, labeled and signed by the petitioners, with a petition declaring the commercial or industrial name of the product, the raw materials which enter into its composition, its applications and uses, its value, the place from which it will be shipped to Spain, and the place of its manufacture of origin. In the case of machines, apparatus, and other articles for which it is not possible to present samples, a set of drawings, models, or photographs, accompanied by a detailed description of the quantity and kind of component parts and the purpose for which the machine or apparatus is intended, may be substituted for the actual sample.

Fines and Penalties

Fines and penalties may be imposed by customs for failure to present a customs declaration within the prescribed time, or for variations between volume and value of goods declared and those actually presented for customs clearance. Variations due to damage or spoilage are not penalized. Deficiencies or excesses of less than 4% are not penalized.

For failure to pay the assessed duties within 3 working days, there is a fine of 5% of the duty. For all official examinations and verifications of declarations, a charge of 5% of the sum of all duties is levied. A fine may also be levied for failure to show in the customs declaration the correct number of the import license or of the import declaration involved in the particular transaction.

For an attempt to circumvent customs regulations or to obtain a lower rate of duty by importing separately all of the parts of a whole mechanism, apparatus, or other object, the duty will be assessed at the rate levied on the assembled mechanism, apparatus, or object, and a fine will be charged based on the differences in the rates of duties concerned.

For failure to present the original commercial invoice and one copy thereof, the importer will be subject to a fine of 5% of the total amount of duties due.

Anti-dumping.—Law No 1/1960, of May 14, 1960 contains the general provisions for the imposition of antidumping or compensatory duties on goods which are priced lower than in the country of origin. An Interministerial Commission has been established to evaluate imports at abnormal prices. This Commission takes particular interest in dumping, efforts to defraud Spain's ad valorem duties, and attempts to avoid exchange controls. There have been very few products, notably iron, steel, and nitrogenous fertilizer, on which compensatory duties have been applied.

INTERNAL TAXES

The most important tax affecting imports is the Compensatory Import Tax, which was instituted by the Spanish Tax Reform Bill of June 11, 1964. This tax, known officially as the "Impuesto de Compensacion de Gravamenes Interiores," is intended to recover the sales, excise, stamp, and other taxes and fees which would have been paid had the imported item been manufactured in Spain. The rate is considerably less than the actual customs duty, however, in the case of lower tariff items, and this tax can have the effect of influencing prices within Spain.

The Compensatory Import Tax is levied at the time of customs clearance on the total value of the import including freight, insurance, and duty. For most raw materials the rate varies between 5% and 10%, and for finished goods the rate is generally between 10% and 15%, although it may be higher in certain cases.

When importing capital equipment into Spain for a direct investment, the Import Compensation Tax and the customs duties must be paid even though special permission to import the equipment may have been received.

SHIPPING DOCUMENTS

A Detailed Commercial Invoice is required and should contain a careful description of each class of goods as a basis for levying ad valorum duty. The fee for Consular legalization, if requested, of a commercial invoice is $5.45. However, if a declaration of origin is made in the invoice, the fee is $7.85. Only the original must be submitted to the Spanish Consulate.

Certificates of Origin are generally required for all goods. The certificate of origin is usually issued by the Spanish Chamber of Commerce having jurisdiction in the territory in which the commodities originate, and this certificate should be legalized or visaed by the Spanish Consulate in the area. In the absence of a chamber of commerce, a certificate of origin issued by the Spanish Consulate will suffice. For goods exported to Spain through a third country, a certificate of origin may be issued in the third country by a Spanish Chamber of Commerce, or by Spanish Commercial Offices, Career Consuls, or Vice Consuls. In addition, the Director General of Customs may empower a foreign authority or agency to issue certificates of origin when none of the above mentioned offices exists.

Proof of origin certificates are waived for commercial shipments with a value of less than $143 f.o.b., and for crude petroleum and radioactive isotopes imported by the Nuclear Energy Board. All parcel post packages require a certificate of origin, although such a certificate usually is not demanded for packages valued at less than $10.

Apparatus, machinery, and pharmaceutical specialties which contain trade or commercial marks indicative of origin require no certificate of origin, provided shipping documents contain these marks. Catalogues or pamphlets showing subject trade marks are also acceptable by customs as proof of origin. See also "Marks of Origin."

Certificates of origin may be obtained from the Spanish Consulate at $.60 (sixty cents) for a set of three. All three copies of the certificate of origin are presented at the Consulate with a copy of the commercial invoice for checking purposes; the Consulate will retain two copies of the certificate of origin and will return the original.

A Bill of Lading is required and must show gross weight in pounds and kilos. The Spanish Consulate will visa a bill of lading at the request of the consignee or bank through which the documents are transmitted.

MARKING AND LABELING REQUIREMENTS

Spanish marking and labeling requirements are usually contained in separate legislation dealing with particular products. No compilation of the various regulations has been made. The basic regulation dealing with this subject is the 1929 Law of Industrial Property, as amended, which includes a number of rules relating to the marking of commodities and prohibitions against imported merchandise not marked in accordance with the prescribed requirements.

Marks of Origin

There are no general requirements that imports be marked as to the country of origin, nor are there any requirements concerning specific commodities. In addition, there are no requirements to post signs at the place of sale indicating country of origin or requiring that locally produced articles indicate the inclusion of foreign components or parts.

Special Labeling of Foodstuffs

Information required by law is to be indicated directly on the container by means of attached labels, and will include country of origin, common name or classification, form of preparation, (whether in seed

oil, olive oil, tomato juice, brine, etc.), detailed ingredients and additives, and instructions for preparation and use marked boldly in Spanish. Semi-preserved fish products must be so identified and must be kept in a cool place. The month and year of preparation must be indicated.

Condensed milk, with or without sugar, and containing not less than 8% fat must be labeled clearly in Spanish with the words "con toda su grasa" (with all its fat) on the container. In the case of condensed milk with a fat content of less than 8%, the specific percent of fat content must be specified on the container. Preparations containing saccharin must carry a label to this effect. Other specific regulations apply to the labeling of butter, margarine, chocolate, and soaps.

All drugs, pharmaceutical and cosmetic preparations must first be registered with the Ministry of Health, and are subject to detailed marketing and labeling requirements.

Marking of Specific Commodities

Some items require special markings before their sale is permitted in Spain. All manufactures of precious metals must be hallmarked with the Government stamp at the Spanish Guaranty Bureau prior to import clearance. Firearms must have affixed the official stamp from the Spanish Government Proving Grounds. Imported tires and tubes except solid tires mounted on metallic rims, must each bear a serial number. Serial numbers must be wrought into the metal of motorcar engines and chassis.

Prohibitions on False Labeling

Imported goods which do not comply with the Spanish marking and labeling regulations are denied entry. Goods which are determined to carry fraudulent labels or markings are confiscated by the Spanish customs. Statements made on the labels that the products have been granted officially recognized merit or that the products have won prizes in competition must be exact and specific.

The Law of Industrial Property further provides that imported goods will be confiscated in instances where the trademarks of such goods do not conform to Spanish laws relating to the issuance of Spanish trademarks. In particular, the national escutcheon of Spain, its Provinces, or other countries is permitted to appear on a label only after special permission for use has been obtained, and only as a part of a larger label or emblem. Also, the names of individuals or businesses other than those of the trademark owner may appear only after proper authorization has been obtained. The emblem of the International Red Cross and other badges adopted by the Geneva Convention cannot be registered as trademarks in Spain and may not appear on goods imported into Spain.

Spain and the United States have ratified the International Convention for the Protection of Industrial Property Rights. By this ratification, each country guaranteed reciprocal protection of the industrial rights, such as patents, trademarks, and copyrights, of the nationals of the other country.

Additional information on patents, trademarks, and copyrights is available in OBR 68–24, "Establishing a Business in Spain."

NONTARIFF IMPORT CONTROLS

Import Licensing

All goods, other than the "liberalized imports" listed below, require an import license. Applications for such a license must be submitted to the Director General of Foreign Trade in the Spanish Ministry of Commerce, or to a regional office of that ministry.

The foreign exporter must furnish the Spanish importer with a pro forma invoice, in sextuplicate, to be attached to the import license application, or to the import declaration. The pro forma invoice must indicate the f.o.b. foreign port price, as well as the freight and insurance charges. The Spanish port price, c.i.f. price, should also be included. The American exporter should assure himself that the importer has a valid license or import declaration.

Liberalized Goods

Most imports, including raw materials, semi-manufacturers, machinery, chemicals, and other goods are classified as liberalized goods and may be imported into Spain from the United States and other OECD countries free of quantitative restrictions. No import license is necessary for these goods, although import declarations are necessary for statistical and foreign exchange purposes. While these declarations are normally approved freely, the Dierctor General of Tariff Policy has the power to suspend the issuance of declarations for commodities whose prices are suspected of being abnormal, pending a full investigation into the prices of the commodities in question.

It is the policy of the United States to oppose restrictive trade practices or boycotts fostered or imposed by foreign countries against other countries friendly to the United States. U.S. firms are encouraged and requested to refuse to take (but are not legally prohibited from taking) any action which supports such restrictive trade practices or boycotts. U.S. exporters are required by law to report (Form IA–1014) to the Department of Commerce any request for action in support of such restrictive trade practices or boycotts in accordance with Part 369 of the "*Comprehensive Export Schedule.*"

Global Quotas

Commodities for which global quotas are set may be imported freely from the United States and other OECD countries. This system is an intermediate stage on the way to complete liberalization. It is the policy of the Ministry of Commerce that the total value of global quotas for each year will be at least 20% higher than the total for the preceding year, and this increase shall be spread in such a way that each individual quota is raised by at least 10% annually; furthermore, the value of each quota is to represent at least 3% of the Spanish production of the goods included in it. However, in recent years this policy has not been fully adhered to.

The largest quota is for certain capital goods ($121 million in 1969). In practice, imports of these capital goods are free, but they remain under the global quota system for reasons of administrative convenience. Under this system, importers need only one import license covering the whole set of capital goods which they wish to import, rather than a separate declaration for each individual tariff item, as would be required if the goods were included in the free list.

If the applications for a given quota exceed the announced amount, the authorities may refuse some applications totally or partially. In the past the authorities have granted licenses well in excess of the quotas originally announced.

State Traded Goods

State traded goods include certain agricultural products, some raw materials, and commodities over which the State has a monopoly.

Exchange Controls

All imports are subject to the Spanish Foreign Exchange Institute's (IEME) controls, administered through banks designated by the Institute. Holders of import licenses or import declarations may freely purchase the necessary exchange at the bank of their choice. Exchange acquired for the payment of imports must be used within the period of time specified by the import license or import declaration. Except for capital goods, supplier's credit for imports is not normally permitted to exceed 90 days.

In December 1969, the Spanish Government issued a decree requiring advance deposits for imports. Under the law, which will remain in effect through December 31, 1970, importers are required to deposit the peseta equivalent of 20% of the c.i.f. value of the merchandise being imported. These advance deposits may be made directly, or through private banks, to the Bank of Spain where they will be retained for a 6-month period without interest. The deposit scheme was instituted to slow down the excessive growth in imports and to help improve the balance of payments.

Importers will be required to present receipts for the deposits when applying for import licenses or import declarations to the Ministry of Commerce. Although the pre-deposit requirement is applicable to all imports, the Ministry of Commerce has indicated the possibility that certain products, as yet unnamed, may be exempted from the deposit system at a later date.

Information regarding Spanish duties (including Kennedy Round concessions) applicable to specific products may be obtained free of charge from the European Division, Office of International Regional Economics, U.S. Department of Commerce, Washington, D.C. 20230; or from any Department of Commerce Field Office. Inquiries should contain a complete product description, including BTN, SITC, or U.S. Schedule B Export Commodity numbers, if known.

SPAIN'S EXPORT CONTROLS

All exports from Spain to all destinations are subject to export license and exchange controls. These are administered by the same agencies that administer the import controls (see above).

In general, all foreign exchange proceeds from exports must be turned over to the control of the Foreign Exchange Institute, through banks or exchange offices at the official rate of 70 pesetas to the dollar.

Export prices for a few products are fixed by decree. In all other cases, approval of the export price is an essential factor in the issuance of licenses. If the price agreed upon by the exporter and the foreign buyer is

not satisfactory to the trade control authorities, the application may be rejected or approved at another price.

UNITED STATES CONTROLS

Exports

All exports of commodities and technical data from the United States or its possessions to Spain and reexports of such U.S.-origin items from Spain are subject to the rules and regulations of the Office of Export Control, Bureau of International Commerce, U.S. Department of Commerce, except for exports or reexports of the following items: 1) Arms, ammunition, and implements of war, and technical data related thereto, which are licensed by the U.S. Department of State; 2) Gold (except fabricated gold with a gold content value of 90% or less), and coins containing silver, licensed by the U.S. Department of the Treasury; 3) Tobacco plants and seeds, licensed by the U.S. Department of Agriculture; 4) Narcotics, licensed by the U.S. Department of Justice; 5) Vessels, licensed by the U.S. Maritime Administration; 6) Natural gas and electric energy, licensed by the Federal Power Commission; and certain "by-product material," source material and facilities for the production or utilization of special nuclear material, licensed by the Atomic Energy Commission.

Senate Concurrent Resolution 40, adopted July 30, 1953, invites U.S. exporters to inscribe, insofar as practicable, on the external shipping containers in indelible print of a suitable size: "United States of America." Although such marking is not compulsory under our laws, U.S. shippers are urged to cooperate in thus publicizing American-made goods.

The regulations concerning export control are set forth in the *Export Control Regulations*, available for examination at the U.S. Department of Commerce or at any of its field offices. The *Export Control Regulations* and supplementary *Export Control Bulletins* may be purchased from any of the U.S. Department of Commerce field offices or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at a subscription rate of $12 ($3 additional for foreign mailings). Airmail service on the supplementary bulletins is available, to domestic subscribers only, at an additional cost of $5 a year.

A Shipper's Export Declaration must be filed with the Collector of Customs for shipments requiring a validated export license and for most shipments under a general license. Information regarding the declaration may be obtained from the Foreign Trade Division, Bureau of the Census, U.S. Department of Commerce, Washington, D.C. 20230.

A destination control statement is necessary on shipping documents for all shipments requiring a validate export license and most shipments made under a general license. This includes virtually all commercial shipments from the United States. The major exceptions to the requirements for an appropriate statement are shipments intended for consumption in Canada; shipments to Puerto Rico, the Canal Zone, U.S. territories, dependencies, and possessions; shipments transiting the United States which do not require a validated export license; and shipment of certain publications and unclassified technical data.

Additional information concerning export control requirements for shipments to Spain may be obtained directly from the Office of Export Control, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230, or from any of the Department's Field Offices.

Imports

Information on United States import duties is obtainable from the Commissioner of Customs, U.S. Treasury Department, Washington, D.C. 20226, or from District Directors of Customs. With few exceptions, imports into the United States are free from controls. A comprehensive description of the U.S. import requirements appears in *Exporting to the United States*, U.S. Treasury Department, Bureau of Customs, 1969.

Other Controls

The Treasury Department's Office of Foreign Assets Control, Washington, D.C. 20220, should be consulted for information on the Foreign Assets Control Regulations, which generally prohibit unlicensed transactions directly or indirectly involving mainland Chinese, North Korean, or North Vietnamese financing or trade. These regulations, among other things, specifically prohibit the unlicensed purchase in any foreign country of goods of mainland Chinese origin and goods of types which in the past were chiefly imported into the United States from mainland China. An exception to this prohibition is that persons outside the United States are authorized to purchase abroad, and import for non-

commercial purposes, Chinese or Chinese-type goods of any country of origin except North Korea and North Viet-Nam, provided that: (1) such purchases are for personal use or as gifts, are in noncommercial quantities, and are not for resale; and (2) payment is made in foreign currency or by travelers' check.

The Treasury Department's Cuban Assets Control Regulations similarly prohibit unlicensed financial or commercial transactions with Cuba and the unlicensed importation or purchase in any foreign country of all goods of Cuban origin or containing Cuban origin components.

The Office of Foreign Assets Control should also be consulted with respect to the Transactions Control Regulations, which prohibit Americans from shipping strategic materials from foreign countries to the U.S.S.R. or to other Communist countries.

In accordance with several United Nations Security Council resolutions, the United States Government currently maintains controls on U.S. trade with Southern Rhodesia. The Office of Export Control, U.S. Department of Commerce, has been delegated authority to control U.S. exports to that country; only goods for educational, medical, or charitable purposes and foodstuffs required in special humanitarian circumstances may be licensed for export to Rhodesia. In addition, the Treasury Department administers regulations which prohibit, unless specifically licensed, imports from, or financial transactions with, Southern Rhodesia.

GOVERNMENT REPRESENTATION

The Spanish Government maintains Commercial Offices throughout the United States. These are located at the following addresses: Spanish Commercial Office, 2558 Massachusetts Avenue, N. W., Washington, D. C. 20008; and Spanish Commercial Office, 405 Lexington Avenue, 32nd Floor, New York, New York 10017; 55 East Washington Street, Chicago, Illinois 60602; Flood Building, 870 Market Street, San Francisco, California 94102; 1840 International Trade Mart, New Orleans, Louisiana 70130.

The United States is represented in Spain by the American Embassy in Madrid, Consulates General in Barcelona and Sevilla, Consulates in Bilbao and Valencia, and Consular Agents in Palma, Majorca, and Las Palmas, Canary Islands.

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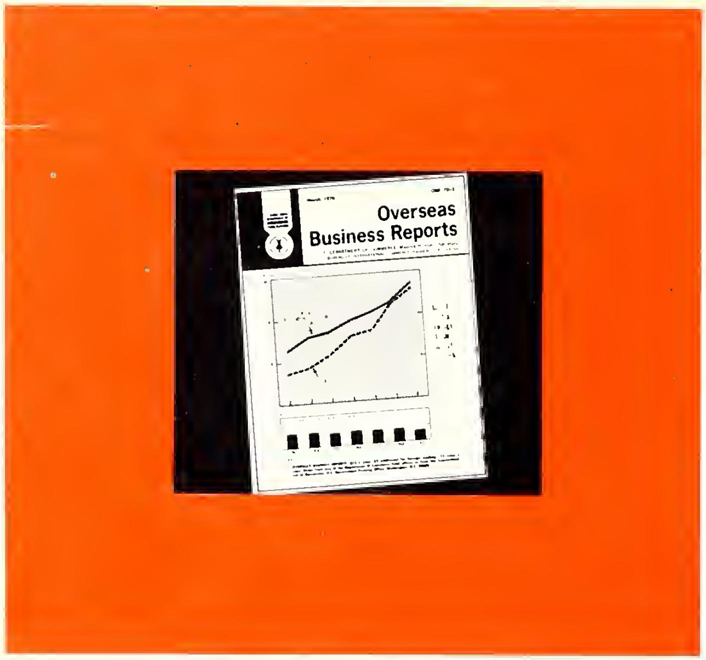

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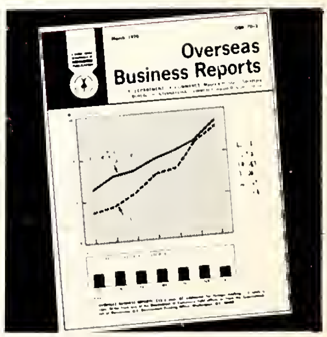

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